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NEWS SUMMARY

GENERAL

Belfast gangs set fire to buses

...of youths went on the ...e in northern Belfast ...ay, hi-jacking and setting ...buses.

...blocking roads, the stopped buses and ordered passengers and drivers. All vehicles were set alight. In ...umlin Road last night a wrecked a confectionary

...while, the murder of a Ulster Constabulary ...or and two constables as ...ened a barrier for traffic ...en, Co. Armagh, coupled ...e killing of a Londonderry ...sman on Wednesday raised speculation that a provisional IRA offensive ...ing. Page 8

...y arrests two ...ish trawlers

...anish trawler skippers ...aged at Plymouth yester... fishing inside British limits and are to appear ...t there to-day. Each ...as boarded by the Navy ...orted into harbour. The Union said that it is to ...h a temporary 200-mile zone from March. Irish ...defer fishing ban.

...ain debriefs ...h defector

...ence officers are debrief... Sweinar Simko, a former military intelligence officer Germany, who arrived in with his wife and son day, and has been given Canada yesterday ex... a Soviet scientist for ...ng to buy classified re...ocuments.

...ker explodes

...erian tanker, Hawaiian 51,000-tons, exploded ...t into flames west of ...i yesterday after leak... ...sands of tons of crude the Pacific.

...scare

...ay experience a five- to increase in polio, a con...iologist said last night. ...-year-old gipsy boy was ...d as a case at Wigan. At Carshalton, Surrey, gipsy boy, aged 2, was to hospital as a polio

...d alert

...alert flood warning was ...esterday for the River ...from Lechlade ...rshire, to Windsor.

...injured

...r George Best, who was ...when his car hit a lamp... Knightsbridge, West ...early yesterday, is not to be able to play for before the end of the

...n well up

...ncident's 11—8 victory ...nton brought Dominic National Hunt nap profit ...al stakes to £19.53, ...£17.84 ahead of his ...ival in the Sporting Life ...day's Racing Page 2

...y...

...occupying the London ...f Economics in protest fee increases voted to their defiance of Tues... ...gh Court order to end

...a radio claim that Tan... ...is assembling invasion ...miles from the Uganda ...was described by Tan... "absolute balderdash."

...orsley, theatre critic of ...ocial Times from 1956 to ...ld subsequently tele... ...itic until 1972, has died, ...59. Obituary, Page 3

Schweppes is to sponsor ...ty cricket championship.

BUSINESS

Equities and gilts subdued; £ firm

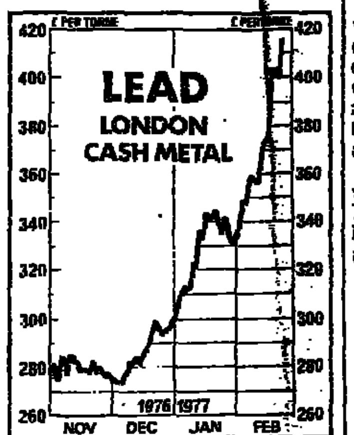
● EQUITIES edged ahead in subdued trading. The FT 30-Share Index closed below the day's best at 402.3, up 0.2. Gold Mines gained a further 3.6 for a four-day rise of 14.9.

● GILTS showed a harder tendency at first, but this faded after indications that Minimum Lending Rate will be held in check. Government Securities Index eased 0.03 to 65.40. Interest rate tactics, Back Page

● STERLING closed unchanged $1.7060. Its trade-weighted depreciation narrowed to 43.2 (43.3) per cent.; dollar's narrowed to 0.61 (0.93) per cent. Swiss franc was weak. New index of depreciation, Page 8.

● GOLD rose 50c to $140.125.

● LEAD prices reached new peaks, the cash metal rising £4



to £416 a tonne. Cocoa and coffee also rose to record levels. Page 43

● WALL STREET fell 5.65 to 932.60.

● U.S. MONEY SUPPLY: M1 $315bn. ($313.6bn.); M2 $756.5bn. ($748.5bn.); commercial industrial loans, up $64m. (down $65m.); fed. funds 4.74 (4.70) per cent.; 90-119 day paper, unchanged at 4.75 per cent.

Leyland strike worries Varley

● MR. ERIC VARLEY, Industry Secretary, is expected to deliver a strong warning to Leyland strikers, making it clear that further State investment in the corporation will depend on improved output. Production of 10 Leyland models has been halted by five separate disputes and 21,000 workers are laid off. Back Page

● SOME OIL COMPANIES are holding back from submitting new applications for a price rise, because of the depressed state of the oil products market. Page 7

● FIVE COMPANIES, including BP and ICI, are likely to join State interests in the consortium to be set up to study a plan for a North Sea gas pipeline network. Page 8

● ELECTRICITY produced from nuclear fuel is proving much cheaper than electricity produced from coal or oil, according to Sir John Hill, chairman of the U.K. Atomic Energy Authority. Page 8

● DISTILLERS will put up the wholesale price of Scotch whisky, gin and vodka from March 1. Retail price of whisky is expected to rise by about 14p a bottle. Page 8

COMPANIES

● BARCLAYS BANK made a record pre-tax profit of £197.99m. (£142.02m.) last year. Page 35 and Lex

● HOOVER made pre-tax profit of £16.98m. (£20.69m.) on turnover of £180m. (£162.9m.) last year. Page 33 and Lex

● DOWTY reacted to Racal Electronics' counter-bid for Ultra Electronics by making a £9m. offer, 50 per cent. greater than is original bid. Page 4

Cabinet discusses devolution vote aftermath to-day

BY RICHARD EVANS, LOBBY EDITOR

The Cabinet meets to-day for a special session to survey the ruins of the Government's legislative programme after the shelving yesterday of the devolution legislation and the last-minute withdrawal of the Direct Labour Bill.

The humiliating failure to secure the guillotine on the Scotland and Wales Bill has underlined the Government's Parliamentary vulnerability and its lack of a reliable overall Commons majority.

The Cabinet accepted the inevitable yesterday and put the Bill, setting up Assemblies in Edinburgh and Cardiff, into cold storage while all-party talks took place. Ministers still hope that the legislation will be continued later in the session.

With the increasing militancy of the Conservatives, and the anger of the minority parties over the devolution failure, Ministers face the prospect of being unable to secure a majority for any contentious legislation.

The Direct Labour Bill, which would allow local authorities to carry out all work with their own building departments, was due to be published yesterday and appeared on the Commons Order Paper, but was withdrawn at the last moment.

The Government feared it would not receive a Second Reading because of the combined opposition of all the minority parties and hostility from some moderate Labour MPs.

Ministers were not prepared for a further Commons humiliation after the loss last month of the Bill increasing employers' contributions to redundancy payments.

The Government's commitment to direct labour remains, but there is now no certainty that legislation will be introduced this session. The proposed Bill would ultimately allow direct labour organisations to extend their operations to both public and private clients.

Chaotic scene

Although to-day's special Cabinet meeting will be concerned primarily with the proposed legislation on direct elections to the European Parliament, Ministers will have to consider this in the context of the whole chaotic legislative scene.

But the widespread view at Westminster among both Labour and Opposition MPs is that the all-party talks give only a forlorn hope of reaching agreement, and that the chances of any devolution legislation reaching the Statute Book this session are extremely remote.

Talks start next week between senior Ministers and Leaders of the Conservatives, Liberals, nationalist parties, and the United Ulster Unionists, but the gulf between the Government and the Conservatives in particular was already evident last night.

Mr. Michael Foot, Minister in Charge of Devolution, clearly sees the talks as a means of salvaging what he can of the Government's commitment to devolution, but the Tories want to see the present Bill abandoned before they are prepared to have meaningful negotiations.

They want any devolution discussions to include England and Northern Ireland as well as Scotland and Wales, but this is entirely unacceptable to the Government.

Mr. Foot said in his Commons statement, that the Government remained totally committed to the principle of devolution, and

Continued on Back Page
Parliament—Page 16; Editorial comment Page 18

Rhodesia moves to expel Roman Catholic bishop

BY OUR OWN CORRESPONDENT SALISBURY, Feb. 24.

THE RHODESIAN Government is planning to deport the Roman Catholic Bishop Donal Lamont.

An announcement—made in Parliament by Mr. Hilary Squires, the Minister for Law and Order, came only hours after an appeal court had reduced the bishop's 10-year jail sentence for failing to report the presence of guerillas to four years, with three suspended.

Mr. Squires said that Bishop Lamont's offence provided grounds for depriving him of his citizenship. If efforts to do this were successful he would be deported "and the country would be a better place."

Bishop Lamont, an outspoken critic of the Government's racial policies, said that he would contest the deportation move.

On the economic front, Mr. David Smith, Minister of Finance, presented a mini-Budget to Parliament that would increase direct and indirect taxes, set a 5 per cent. limit on wage increases and pet Government service salaries at least until July next year.

"We must face up to the fact that we cannot live normal lives in times of economic recession and sustained anti-terrorist operations," he said.

The Budgetary changes are substantially a response to the growing cost of the Rhodesian war.

Outlining the country's economic position, Mr. Smith spoke of foreign exchange earnings being reduced by depressed market prices, the spiralling costs of petroleum, and higher transport costs as a result of extended routes.

Last year had been the second successive year in which the country had experienced nil or negative growth. This was partly due to the international recession, but there was no prospect of improvement until next year.

There was a heavy demand for funds in connection with Government make-up pay to national servicemen, a higher level of subsidies, and support for the steel industry.

Last week supplementary estimates for the year ending June 30, totalled Rh.$29.7m. (£28m.) of which para-military spending took up Rh.$17.4m. A further Rh.$7.5m. went to the Rhodesian Iron and Steel Company to help it through "the present world-wide recession in the steel industry."

Total expenditure would be Rh.$597.3m., giving a Budget account deficit of an estimated Rh.$67m., compared with the original Rh.$21.5m.

Looking ahead to the year beginning July 1, Mr. Smith disclosed that draft estimates submitted by Ministries showed a general weakness in some world revenue at present taxation rates, would result in a deficit on Budget account of about Rh.$200m. "In my opinion this is simply not sustainable."

● Mr. Paul Harris, aged 30, a British photographer working for the Rhodesian Herald, the country's largest selling daily paper, was declared a prohibited immigrant by the Rhodesian Government to-day and given eight days to leave. No reasons were given.

Overseas sales push up ICI's pre-tax profits to £540m.

BY RHYS DAVID, CHEMICALS CORRESPONDENT

THE RECOVERY in world chemicals demand last year helped Imperial Chemical Industries, Britain's biggest industrial company, to pre-tax profits of £540m., compared with £321m. in 1975, on sales up more than £1bn. at £4.135bn.

The improvement is chiefly the result of the group's particularly strong showing in overseas markets, where sales, including exports from the U.K. rose by 39 per cent. in value to £2.5bn. Sales in the U.K. rose by 23 per cent. from £1.3bn. to £1.6bn.

The final quarter also proved somewhat stronger than ICI had been expecting at one time, with sales — which had shown signs of stagnating in the third quarter — rising from £1.03bn. to £1.142bn. ICI, in 1975, was Britain's second largest exporter, increased the value of the exports from £686m. to £822m.

Problem

Final quarter profits at £125m. were up marginally on the £116m. in the third quarter. But in the earlier period exchange gains, as a result of the decline in the value of sterling, added a further £33m., while in the final three months sterling's greater strength resulted in exchange losses of £13m.

ICI's principal problem area remains fibres, which continues as a loss-maker though the final deficit of £11m. is less than had been expected and down substantially on the £31m. of 1975. Costs associated with writing down plant and machinery and with redeploying the retraining workers affected by rationalisation at the group's fibre plants in the U.K. and Germany form the bulk of a £47m. deduction included under extraordinary items in the accounts.

The group also made a loss on operations by its subsidiaries in Continental Western Europe, though it was reduced from the £15m. figure in 1975 to £7m.

Particularly good results were achieved, however, in general chemicals—one of the 1975 problem areas—and in dyestuffs. Petrochemicals and plastics also showed strong recovery.

In volume terms, ICI's overall group sales rose by 12 per cent. last year, but overseas markets, with a rise of 20 per cent. accounted for most of this. ICI says that while volume rose substantially above 1975 levels in the U.K., it failed to show sustained growth and business remained at about the level of the first quarter.

The big increase in sales overseas means that ICI derives only 39 per cent. of its revenues from U.K. sales, compared with 42 per cent. in 1975 and more than 50 per cent. ten years ago.

The company said yesterday that the levels of trading so far this year had not varied substantially from those at the end of last year. Some worries remain on prices.

ICI claims that price control in various markets, coupled with a general weakness in some world chemical prices, meant it was unable fully to recover last year's increases in costs.

ICI's shares closed 5p down at 342p.

Lex Back Page
Details Page 33

Kaufman launches shipyard fund

By John Wyles, Shipping Correspondent

A SHORT-TERM £65m. intervention fund was launched by the Government yesterday in an attempt to ease the shortage of orders which is threatening a widescale shutdown in Britain's merchant shipbuilding industry.

The fund was announced in the Commons yesterday by Mr. Gerald Kaufman, the Industry Minister, shortly after the Cabinet had discussed whether to try to hasten the passage of the major plank of its policy for the industry, the aerospace and shipbuilding nationalisation Bill, by excluding shiprepairing.

No decision appeared to have been taken, although senior Ministers implied afterwards that the Government might face up to hybridity proceedings in the Lords which look likely to delay passage of the Bill until October.

Later, at a meeting of the Parliamentary Labour Party, the Government was urged by Mr. Eric Heffer to settle for the Bill minus shiprepairing. There was no dissent from Ministers present, who included the Prime Minister.

Both sides of the industry are agreed that the present uncertainty must be ended by a coherent policy for shipbuilding.

Mr. Kaufman made no pretence after his Commons announcement that the intervention fund was such a policy, describing it as a "stopgap to help bridge the price difference between British shipbuilding and Japan and the Far East."

Redundancies

Without new orders, two-thirds of the 40,000 workers in British shipbuilding "will be on the dole by the end of next year," Mr. Kaufman said.

He said the Government planned a redundancy scheme for the industry similar to that operated by British Steel. It would provide among other things income support for workers over 55 who were made redundant.

In addition a £13m. advanced factory building programme for the shipbuilding areas is to be announced shortly.

Belfast's Harland and Wolff is excluded from the scheme because it is the responsibility of the Northern Ireland Office. Half of the £65m. will be made available over the next six months, but Mr. Kaufman was vague as to how long the fund was intended to last.

The Shipbuilders and Repairers National Association said last night the fund was "a good basis for dealing with the short-term problems of the industry."

Parliament, Page 16

£2bn. income tax cuts urged by CBI

BY ADRIAN HAMILTON

THE GOVERNMENT should make a £2bn. cut in income tax at all levels to restore incentives and prepare the ground for a further period of wage restraint, the Confederation of British Industry said yesterday.

Like the TUC—which is to present its budget recommendations to the Chancellor to-day—the CBI now seems intent on forcing the pace on Mr. Healey's assurances of a better tax deal for the skilled worker and manager.

CBI leaders, presenting their plans to Mr. Healey yesterday, said that a reduction of £2bn. could be achieved with fairly moderate expenditure cuts without breaching the Government's assurances on the public sector borrowing requirement.

In line with other forecasts, its own estimates suggest that the borrowing requirement in 1977-78 is likely to fall short of the International Monetary Fund ceiling of £8.7bn. by at least £1bn.

Additional tax relief should be financed out of changes in social security benefits and further expenditure cuts.

While the Treasury is taking a more cautious line on its ability to give substantial direct tax relief without increasing indirect taxes, there seems little doubt that it is now thinking along these lines.

If nothing else, it has now allowed such expectations to build up on the issue in the public mind that it will be difficult not to give some relief.

The Treasury's problem is partly the degree to which it believes the lower forecasts for the borrowing requirement now being made and partly the degree to which the Chancellor feels that any tax relief must be conditional on the successful negotiation of a Phase Three pay agreement after the Budget.

Phase Three

Internal Treasury forecasts suggest that the borrowing requirement in the next financial year will be substantially lower than forecast at the end of last year. Although it is not yet clear just how much, it will allow cuts to be made.

On the other hand, Ministers have made it plain that to some extent the Budget will be tied to the outcome of Phase Three negotiations.

This conditional aspect is most unlikely to take the form it did last year, with a target figure and detailed tax promise.

Instead, it could be achieved through either an unspecified assurance of relief to be added to the Finance Act at a later stage or the warning that indirect taxes may have to be raised later in the year if pay negotiations or the borrowing requirement do not turn out as well as hoped.

In framing its Budget recommendations, the CBI has attempted to tackle the three problems of the poverty trap at the lower end, the "penal" rates of high taxation at the upper end and some compensation for inflation in the middle £5,000-£10,000-a-year bracket.

It has thus opted for a combination of a reduction in basic tax from 35 to 33 per cent., a widening of the bands at which higher tax rates are paid, an increase of 10 per cent. in personal allowances coupled with a 50 per cent. rise in family allowances, and a progressive reduction in the highest rates of tax from 83 to 65 per cent. over two years. It also suggests an easing of tax rates on unearned incomes.

The CBI says that the impact of this would be to raise the tax threshold for a family with two children from £28 to £33 a week and to increase the post-tax take-home pay of average wage earners by about 5 per cent. The measures would cost about £2bn. in 1977-78 and £3bn. in a full year thereafter.

This would go some way to restoring incentives and would mean that wage earners could agree a fairly tight Phase Three deal without a real loss in earning power from inflation in the coming financial year.

The CBI is more coy on the question of how far its suggestion would reflate the economy, but does seem to accept that some reflation should be undertaken and could be absorbed in view of the under-utilisation of capacity in industry.

Its calculations put the impact of the changes on the Gross Domestic Product at about 0.5 to 1 per cent. in the coming year, enabling the economy to grow at perhaps 2.5 per cent. this year instead of the less than 2 per cent. estimated on unchanged policies.

Details, Page 7

The National Institute of Economic and Social Research is urging the Government to consider offering a large cut in income tax to secure a low pay limit from July onwards, even if the cut pushed the public sector borrowing requirement above the limits set out in the IMF Letter of Intent. Details, Back Page.

£ in New York

	Feb. 24	Previous
Spot	$1.7057-7060	$1.7055-7070
1 month	1.1-1.10 dis	1.20-0.97 dis
3 months	3.25-3.12 dis	3.25-3.12 dis
12 months	10.4-10.40 dis	10.30-10.15 dis

PRICE CHANGES YESTERDAY

(In pence unless otherwise indicated)

RISES

...9pc 1980...(35)	...	+	...
...	173	+	13½
...	178	+	10
...	163	+	6
...	65	+	8
...nbledon)	82	+	5
...n Leslie	45	+	5
Smith	35	+	5
..."A"	285	+	21
...and Steeple	40	+	12
Matthey	364	+	15
...	33	+	6
...Trust Dfd.	166	+	7
...(R.)	195	+	11
...	116	+	6
...edon	45	+	10
...	46	+	12
...	91	+	34
...V. H.) "A"	376	+	13
...and Pitt	132	+	9
Swan Hunter	58	+	4½
Thames Plywood	42	+	7
Ultra Electronic	215	+	30
Vosper Thornycroft	93	+	6
Wagon Industrial	90	+	6
Wigfall (H.)	125	+	20
Ball and Collins	44	+	6
Cons. Gold Fields	168	+	10
De Beers Dfd.	220	+	7
Durban Deep	330	+	30
East Driefontein	360	+	40
Northgate Expln.	425	+	25
Union Crpn.	270	+	10
Venterspost	145	+	15

FALLS

Carr's Milling	40	−	4
Estates Prop Inv.	44	−	5
ICI	342	−	5
Lyons (J.)	94	−	3
Racal Electronics	252	−	7
Reardon Smith	173	−	7
Tricentrol	138	−	6

FEATURES

For latest Share Index 'phone 01-246 8026

LOMBARD

A victim of merger policy

BY GEOFFREY OWEN

THE management at Herbert Morris, the Loughborough crane manufacturers, is understandably aggrieved at the outcome of the Monopolies Commission inquiry into the bid from Babcock and Wilcox. Three members of the panel thought the bid was against the public interest, the other two (including the chairman of the Commission) thought it was not. Because the law requires a two-thirds majority, the Government has allowed the bid to go ahead.

There is nothing particularly surprising about the split verdict; it has happened before. Making judgments about the possible consequences of a merger is a hazardous business. *Moreover the Monopolies Commission looks at each merger* reference on its merits. While it is required under the Fair Trading Act to consider certain general criteria—such as maintaining effective competition, promoting the reduction of costs, maintaining the balanced distribution of industry and employment in the U.K.—there are no rules whereby a particular merger may be judged automatically to be for or against the public interest.

Consistency

What one would like to see, nevertheless, is some degree of consistency in the way the Commission approaches merger cases. The achievement of consistency, as I have argued before in this column, would be made easier if there were more full-time members; at present only the chairman is full-time. The full-time commissioners would provide a stability and continuity which are at present lacking—and, incidentally, reduce the likelihood of split reports.

For example, one of the most obvious, if slightly desperate, gambits open to a company fighting off an unwelcome take-over bid is for the senior executives to threaten to resign if the bid goes through. In the Morris case this was one of the factors which weighed heavily with the three commissioners who were against the bid. They felt that the departure of Mr. Robinson and Mr. McTighe, respectively chairman and managing director of Morris, would have a disruptive effect on the company.

The dissenting members thought that, given Babcock's ability to draw upon or to recruit high-calibre management to take the place of the two top men, any damage to Herbert Morris would not be long-lasting. They argued, quite reasonably, that a temporary disturbance of a company's management should not be "elevated to the category of 'things contrary to the public interest.'"

Yet almost the identical argument which the chairman of the Commission rejected in this case was used by the Commission—in a unanimous report—to block the bid by Rank Organisation for De La Rue in 1969. The chairman and managing director of De La Rue had told the Commission that they would seek release from their service contracts if the bid went through. The Commission believed that Rank could not make up from its own resources for the loss of key management in De La Rue.

Perhaps one should not look for too much consistency between two reports written by different sets of people and separated by a gap of eight years. But it does underline the difficulty of predicting how the Commission is going to react to any particular merger proposal.

The most surprising thing about the latest case is how near the Morris people came to convincing the Commission of their arguments. On the facts of the bid itself there was no good reason for the reference to the Commission in the first place.

Respectable

The Babcock/Morris bid is typical of the process whereby small, well-managed specialists are absorbed by large, diversified concerns. There is nothing in merger policy as it now stands to halt that process. As long as the acquiring company is reasonably well managed and can point to a respectable record of how past acquisitions have been handled—as Babcock was able to do—nothing more is necessary.

Should companies like Babcock be forced to demonstrate that there are positive gains to the public interest through acquisitions of companies like Herbert Morris? That is the unresolved issue of merger policy. It is easy to think of social and political arguments why companies like Morris should stay independent. But so far the evidence on the economic consequences of mergers has been too inconclusive to justify a tougher policy. Yet the alternative is a continuing trend towards concentration in British industry.

NORTH SEA GAS REVIEW — BY RAY DAFTER

Laying plans for a pipe system

THE STARTING flag is about to fall on one of the most ambitious offshore development schemes, even by North Sea standards. Within the next week or so a joint public and private sector venture will begin to evaluate a plan to build a network of gas-gathering pipelines.

Strictly speaking, the project as it stands is no more than an idea, albeit one well defined by the Government-sponsored Williams-Merz report last year. The new study should show whether the pipelines are worth building and, if so, in what form. On present reckoning, the scheme could cost well over £2bn. to complete.

That it will be built in some guise, I have little doubt. Politically, it is almost being willed into existence, as shown by both the excitement generated within the Departments of Industry and Energy and the speed with which the study is being generated.

The Government sees the *gathering system* as a means of collecting associated gas from various oil finds—gas which might otherwise be flared or merely reinjected into the fields—as well as bringing ashore large quantities of heavy gases which might form the basis of a substantial new petrochemical industry.

The Department of Energy has estimated that when in full use a gathering system could *benefit the balance of payments* by about £1bn. a year. The possibilities were highlighted yesterday by Esso Chemical's announcement that it had applied for outline planning permission to build a £200m. ethylene plant at Moss Morran, Fife. The plant, with a capacity expected to be between 400,000 to 600,000 tons a year, will be fed on ethane piped ashore with other gases from Shell/Esso's Brent Field. It is the type of operation which could be expanded with a more comprehensive gathering network.

This is one prime reason why a good deal of urgency is being attached to the study phase. If even part of the scheme is to be operational in the first half of the 1980s, a development decision will be needed in the next few years.

So the Government has given the study company a tough schedule. The new organisation, which has still to be pulled together, is expected to submit an initial report on the technical and marketing aspects by the end of this year. A definitive conclusion is wanted by the Government by the end of March, 1978.

The embryo Gas Gathering Pipelines (North Sea) company is already in being in London's Pall Mall—conveniently close to British National Oil Corporation, one of its parents. BNOC and British Gas have already formed a joint public sector company (British Marine Pipelines) which has a two-thirds stake in GGP. The other one-third will come from the private sector company whose membership has still to be decided.

However, it is expected that four private groups will shortly announce their involvement in the study company. As the study itself is likely to cost about £3m., each of these private groups will probably contribute around £250,000. As with their public sector affiliates, they will also be expected to second a small number of staff to GGP (most of the work will be commissioned from consultants).

The fact that only four private groups are willing to take part in the study stage is not the rebuff it might at first appear. True about a dozen companies initially expressed a serious interest in becoming a member of the private sector company, but on reflection most felt that they would not derive *any real benefit from being on* the inside at this stage. Some of the groups may well become involved in the construction phase, but they know that partners in the study "will have no right to preference in respect of contract awarded either in the study stage or in the subsequent construction of any gas gathering project that develops." Those rules are laid down in the Department of Energy's little green book on pipeline systems.

The four private sector participants have still to be announced. Indeed, their membership negotiations are thought to be *at a delicate stage*. But it seems—somewhat ironically—that two of the candidates already have large public sector involvement. I understand that the four groups are British Petroleum (almost 70 per cent. of its shares are held by the Government and Bank of England), a joint Total/Elf undertaking (they are partly owned by the French Government), Rio Tinto-Zinc and Imperial Chemical Industries.

BP's involvement was to be expected. It is one of the biggest operators in the North Sea with reserves in the Forties, Ninian, Magnus and Andrew fields as well as other undefined oil and gas reservoirs. It is already flaring gas from the Forties Field which is currently Britain's main North Sea oil provider. BP's chemical subsidiary, BP Chemicals International, is also considering the construction of a new ethylene plant at its Grangemouth site.

ICI's likely involvement in the gas gathering project is also not surprising. It too *has a sizeable* stake in offshore reserves through its Ninian Field interest. With naphtha—the group's traditional raw material for petro-chemicals—becoming increasingly expensive, new resources of heavy gas feedstock may become increasingly attractive. Furthermore, as the biggest industrial user of gas in Britain, ICI must surely be anxious that supplies are maintained as long as possible.

RTZ, which has a large stake in the Argyll Field, also has more than one reason to be interested in gas gathering. No doubt it will be hoping to sell its engineering and project *management services* if and when the network is sanctioned.

(The prospect of such a big engineering project, perhaps involving some 800 miles of pipeline, has already spurred the British Gas Corporation to invest £8.5m. at its Hartlepool pipe mill. After several years of uncertainty, BSC has taken the plunge and decided to manufacture large diameter subsea pipelines. The Hartlepool development should be completed by 1979—in time, BSC hopes, to take advantage of the gas gathering contracts.)

The fourth prospective group in GGP, Total/Elf, is perhaps the most intriguing. The companies are members of the consortium developing the important Frigg gas field which is due on stream later this year. As a result they will lend to the *study* company considerable expertise on the exploitation and transportation of offshore gasses.

Frigg gas, which will provide the basis for British Gas Corporation's next phase of development, will flow ashore through two pipelines, each about 224 miles long. It is possible that these lines together, perhaps, with the Brent gas line, will be incorporated in a gas gathering system. Many in the offshore industry have questioned the wisdom of building a completely new pipeline grid to gather relatively small pockets of gas and condensates.

The French interest in the project is interesting for another reason. The companies' partners in Frigg include Statoil, the Norwegian state oil undertaking, and the Norwegian Norsk Hydro group. And one of the major—almost vital—areas of uncertainty surrounding the pipeline venture is the Norwegian attitude to the scheme.

There is no doubt that the British Government would like gas from the Statfjord Field—the biggest in the North Sea—to be piped to the U.K. Gas reserves are estimated to be 4.25 trillion cubic feet, quite apart from the estimated 3.9bn. barrels of oil. Unfortunately, from the British point of view, the field straddles the U.K./Norwegian median line and about 89 per cent. of the reserves *are thought* to lie in the Norwegian sector.

Consequently the Norwegian Government, and presumably Statoil, have their own ideas about developing Statfjord Gas. Having no need for the gas in Norway they are investigating the possibility of building their own pipeline system to feed the energy-hungry market in north east Continental Europe. Such a line, based on Statfjord, could tap reserves in other Norwegian gas finds, such as Odin, North East and East Frigg, Heimdal and Cod.

Nothing has been settled and BNOC's small stake in the field should ensure the British Government is kept abreast of developments. In addition, Britain's energy department and Norway's industry ministry have agreed to hold regular dis*cussions on offshore matters of* mutual interest. Pipeline schemes will be high on the agenda for many of the meetings.

Studies being made by Government departments indicate that four of the 15 big ethylene plants planned for Western Europe over the next eight years could come to Britain on the strength of secure energy and feedstock supplies. The studies also show that it is possible that three or four more U.K. plants might be warranted if the gas gathering system is installed.

So far only two crackers have been identified, the one planned by Esso at Moss Morran, and a £300m. complex being considered by Shell for its Stanlow, Cheshire, site. It is estimated that the Shell complex alone could produce balance of payments savings estimated at £300,000 a day.

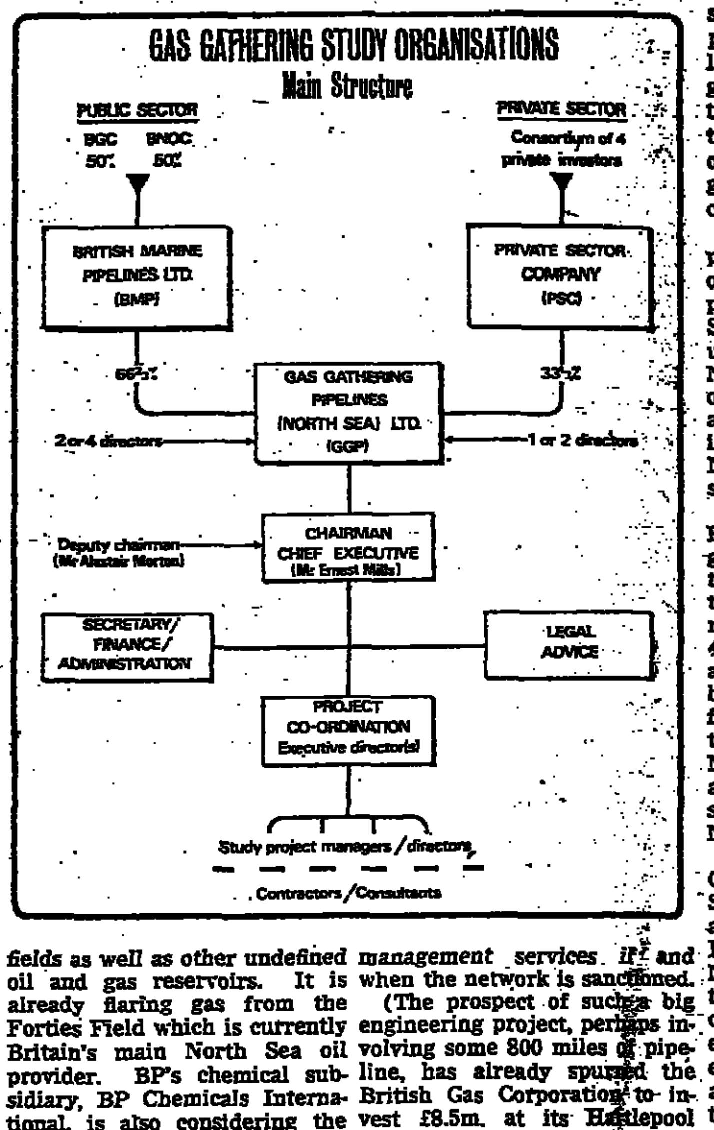
Hence the Government's interest in gas gathering. It could provide the vehicle for a switch of European chemical manufacturing emphasis away from Germany, Belgium and Holland towards Britain. Already the Government is talking about the possibility of Britain's plastics intermediates industry boosting its share of the West European Continental market from a mere 1 per cent. at present to a healthier 5 per cent. by 1990.

● Last week's column seems to have touched a nerve with its criticism of the Department of Energy's secrecy over BNOC's fifth round exploration bill. Mr. Bernard Ingham, the Department's director of information, regarded the rebuke as "a bit unfair—*not to* say 'unjustified.'"

He writes: "Exploration has yet to be agreed with the Department, but if one hole costs an average of £3m. and if at least 44 will have to be drilled to explore the 44 full or part blocks being allocated, then the minimum total cost is likely to be £132m. If BNOC is responsible for 51 per cent. of it then its minimum exploration outlay will, on that basis, be £67.32m.

"I don't see how we can be accused of secrecy when anybody can work out this, as a hypothetical sum on the back of an envelope."

Which brings me back to my point. *If it is so easy to calculate* roughly the minimum expenditure (and I did the calculation) why did Lord Kearton, BNOC's chairman, and Mr. Anthony Wedgwood Benn, Energy Secretary, feel unable to give politicians and journalists a tentative estimate? Government economic forecasts have been based on scanty information.



TV Radio

† indicates programmes in black and white

BBC 1

6.40-7.55 a.m. Open University (UHF only). 9.20 For Schools, Colleges. 10.45 You and Me. 11.05 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill and Dig This. 1.45 Trumpton. 2.02 For Schools, Colleges. 3.20 Ar Glawr. 3.53 Regional News (except London). 3.55 Play School. 4.20 Roobarb. 4.25 Jackanory. 4.40 Lippy Lion and his Friends. 4.55 Crackerjack. 5.35 Paddington. 5.40 News. 5.55 Nationwide London and South-East only. 6.20 Nationwide. 6.45 Sportswide. 7.00 The Tom and Jerry Show. 7.15 The Wonderful World of Disney. 8.00 Are You Being Served? 8.30 Porridge. 9.00 News. 9.25 Harry O. 10.15 To-night (London and South East only). 10.45 Regional News. 10.46 Max Boyce in Concert. 11.26 The Friday Film: "The Subject was Roses" starring Patricia Neal.

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 p.m. O Dan y Mor. 5.55-6.20 Wales To-day. 7.00 Heddiw. 7.20 Tom and Jerry. 7.35-8.00 Twndish. 10.15 Kane on Friday. 10.45-10.46 News for Wales.

Scotland—10.22-10.43 and 11.20-11.50 a.m. For Schools. 5.55-6.20 p.m. Reporting Scotland. 6.20-6.35 Current Account. 10.15 Se 'Ur Beatha. 10.45-10.46 News for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 In Tune. 10.45-10.46 News for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) Newscue; Midlands (Birmingham) Master Craftsman; North (Leeds) See You When I Get Home, Mum . . .; North East (Newcastle) A Likely Story; North West (Manchester) Is It Worth It?; South (Southampton) A Man Among Rainbows; South West (Plymouth) Peninsula; West (Bristol) Jazz on the Quay.

BBC 2

6.40-7.55 a.m. Open University. 11.00 Play School. 4.55 Open University. 7.00 News on 2 Headlines. 7.05 Indoors Outdoors. 7.30 Newsday. 8.05 Gardeners' World. 8.30 The Money Programme: the falling value of incomes for the middle classes. 9.00 Fot Black 77. 9.25 Horizon. 10.15 *The Roads to Freedom*. 11.00 Late News on 2. 11.10 Sex Education in the Primary School (preview). 11.55-12.00 Closedown. Bernard Hepton reads "By Southampton Water" by Jeremy Hooker.

LONDON

9.30 a.m. Schools Programmes. 12.00 Kathy's Quiz. 12.10 p.m. Rainbow. 12.30 Hello, Good Afternoon, Welcome. 1.00 News plus FT index. 1.20 To-day's Post. 1.30 About Britain. 2.00 Money-Go-Round Good Afternoon. 2.25 Friday Matinee: "Female Artillery." 3.50 The Cedar Tree. 4.15 Dominic. 4.45 Magpie. 5.15 University Challenge. 5.45 News. 6.00 To-day. 6.35 Crossroads. 7.00 Beryl's Lot. 7.30 Sale of the Century. 8.00 Emergency. 9.00 Raffles. 10.00 News. 10.30 Police Five. 10.40 Russell Harty. 11.40 UFO. 12.40 a.m. Close—Gordon Bailey reads his own poems.

All ITV Regions as London except at the following times:—

ANGLIA

ATV MIDLANDS

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.15-4.45 Taro'mlaen. 6.00-6.15 Y Dydd. 6.30-7.00 Dave Allen And Friends. 10.35-11.05 Outlook.

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1 247m

RADIO 2 1,500m and VHF

RADIO 3 464m, Stereo & VHF

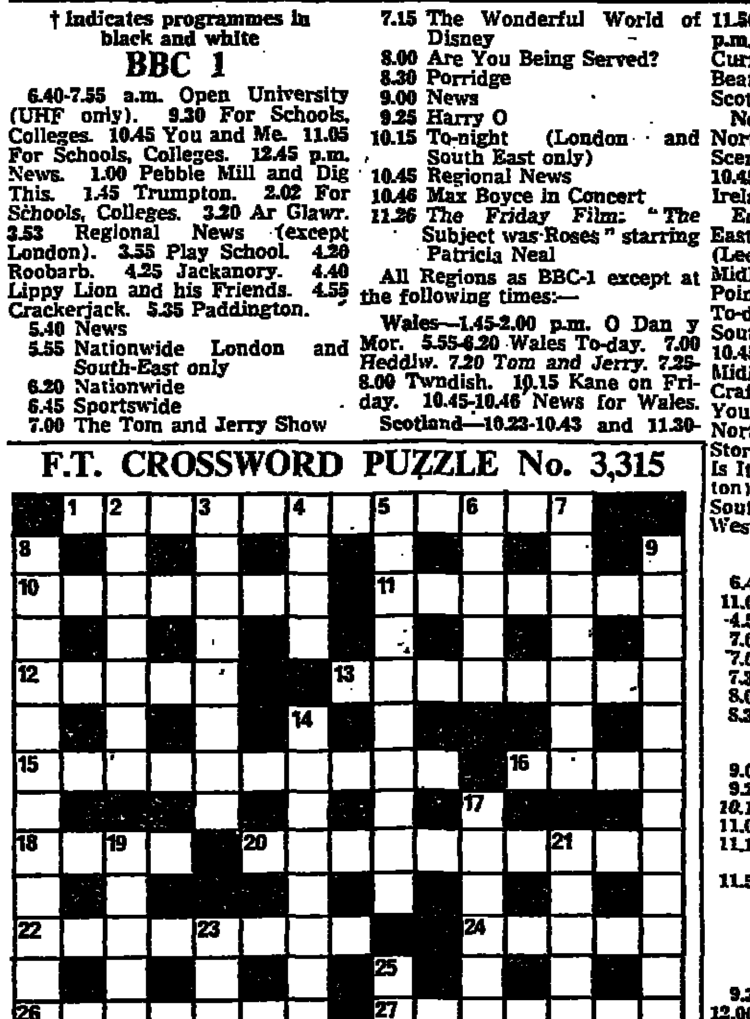
RADIO 4 434m, 330m, 285m and VHF

BBC Radio London 206m and 94.9 VHF

London Broadcasting 261m and 97.3 VHF

Capital Radio 194m and 95.8 VHF

F.T. CROSSWORD PUZZLE No. 3,315



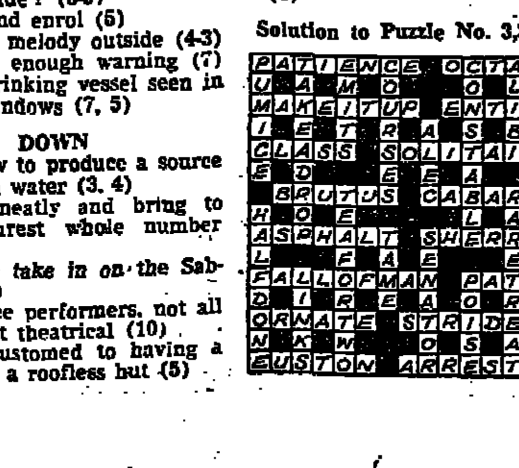
ACROSS

1 Let accommodation in school? (12)
10 Charge partly went rusty (7)
11 Rascal going to East Riding to run briskly (7)
12 Editor admits people to do his work (5)
13 Worry about the job? It's ornamental! (8)
15 Sex gene producing a criminal type (10)
16 Plant making iron ships (4)
18 Northern mimic getting it in the neck? (4)
20 Friend in airport? It could be madam! (10)
22 Capable of being turned against the user—like a razor-blade? (3-5)
24 Go in and enrol (5)
26 Begin a melody outside (4-3)
27 Without enough warning (7)
28 Dirty drinking vessel seen in some windows (7, 5)

DOWN

2 Tell how to produce a source of warm water (3, 4)
3 Finish neatly and bring to the nearest whole number (5, 3)
4 Food to take in on the Sabbath (4)
5 His three performers, not all nice, but theatrical (10)
6 Not accustomed to having a sleep in a roofless hut (5)
7 Work laboriously in river and burst out (7)
8 Resolution to prevent motorway race (13)
9 Spiritually depressed—and in need of medical attention? (6-7)
14 Hard cone to put into shape (10)
17 Coach bearer has to move slowly to the bar (4, 4)
19 Papers surrounding officer commanding a series of operations (7)
21 Sea-creature needing a month to work (7)
23 Drink to a stage production (5)
25 Tear away right at the close (4)

Solution to Puzzle No. 3,314



RACING — BY DOMINIC WIGAN

Girandole to beat favourite

ONE OF THE BIGGEST crowds at Wincanton saw a fine Cheltenham trial run yesterday by *Dramatist* and a *satisfactory*, though marginally less impressive, display by Border Incident.

Dramatist responded immediately when picked up on the run-in to the Kingwell Pattern Hurdle after being headed at the final flight by Beacon Light, and quickly put daylight between himself and his Malborough rival; while Border Incident never really looked like being hard-pressed in his race, the Jim Ford Challenge Cup.

However, Richard Head's Gold Cup hope got dangerously close to the final fence when leading Beacon Light's stable companion, *Summerville*, by a couple of lengths, and a similar error at any of Cheltenham's far trickier downhill fences may put him out of contention.

No novice gave a more encouraging display at Ascot ten *days ago than that high-class* stayer from the Flat, the Goodwood Cup winner, Girandole, who showed up well for a long way in the hotly contested Datchet Hurdle. I am hopeful that he will prove up to landing the *opener at Kempton to-day, Div.* I Part I of the Ashford Hurdle.

Girandole, a striking bay son of another Goodwood Cup winner, Raise You Ten, will have come on a great deal as a result of that run. Although it is ask*ing a lot of him to beat more* experienced opponents Busted Fiddle, Royal Charley and the Guvnor, I feel he *will prove up to the task.*

The likely favourite, Royal Charley, who slammed Il Sol here on only his second appearance since joining David Kent's Chichester stable from New Zealand, seems sure to *provide the chief threat.*

Dominic Wigan's nap (Border Incidet 11—8) again won yesterday, bringing his profit on the National Hunt season to a £1 level stake to £19.53—£17.84 ahead of his nearest rival in the Sporting Life naps table.

KEMPTON

1. 0—Girandole***
1.30—Ranksborough
2. 0—Neon Star*
2.30—Pueblo**
4. 0—Breeze Wagon

Schweppes county sponsorship

BY TREVOR BAILEY

CADBURY-SCHWEPPES is to sponsor the county cricket championship, probably to the extent of £120,000, of which 20 per cent. will be prize money.

The three-year agreement gives the competition, dating back to 1873, the new title of the Schweppes County Championship.

With limited TV coverage, the championship has not previously appealed to sponsors, but summer interest was maintained to the end of the season.

The Test and County Cricket Board, which last year paid £940,000 to the first-class counties from national sponsorship and TV revenue, will meet next week to discuss how Schweppes prize money is to be distributed.

SALEROOM — BY ANTONY THORNCROFT

Japanese items sell well

JAPANESE works of art continue to be in demand, judging by Sotheby's auctions this week, which over two days totalled £257,010, with only 2 per cent. bought in. The top price yesterday was £13,000, plus the 10 per cent. buyer's premium, for a very fine Kakiemon ewer of the 17th century.

Other high prices were the £8,100 paid by Eskenazi for a nesuke by Toyomasa, a study of Kirin. This was the third highest price paid at auction for a netsuke. Another London dealer, D. Wright, gave £6,500 for a Kakiemon figure of a tiger, and a Ko-Kutani-style bottle made £5,800.

There were two minor auctions at Sotheby's. Watercolours brought in £14,398, *with* a best price of £460 for a picture of a young girl by Filippo Indoni; and the silver sale added £25,359, with a top bid of £600 for a George IV matching three-piece tea set.

At the Belgravia saleroom potlids, fairings, etc., totalled £16,498. An unusual Prattware malachite ground dessert service of 24 pieces sold for £1,000 and a Goss of the Hambledon Cricket Club stone £510.

Christie's were selling Russian and Greek ikons, and made £93,520. A 16th-century North Russian ikon of the descent into Hell sold for £5,500, comfortably above forecast, and a 16th-century Moscow School ikon of the Saints Cosmas and Damian more than doubled its estimate at £3,400.

A German dealer paid £3,200 for a 17th-century Yaroslavl School ikon of the descent into Hell; £2,200 for a 17th-century Cretan School triptych; and £1,800 for an early 19th-century Palekh ikon.

In other auctions, Phillips disposed of Chinese and Japanese ceramics and works of art for £52,980, Porter giving £2,300 for a carved wooden figure of Kuan Yin, of the Yuan-Ming dynasty, 66 cms. high; Robson Lowe's week of British and Empire stamp sales totalled £192,400, with a highest yesterday of £1,700 for two plates of Cyprus 1880.

"Kate Greenaway's Alphabet," one of the rarest books produced by the celebrated book illustrator, is to be sold at Sotheby's auction of children's books, comics, and juvenilia at Chancery Lane, on March 3-4. The book, only 3¼ inches square, was never published, and only a few copies were printed. Sotheby's expects a price in the region of £1,500. There are 192 miniatures in the book.

Bordeaux wines dearer

BY EDMUND PENNING-ROWSELL

YESTERDAY'S PLENTIFUL Bordeaux wine sale at Christies clearly confirms the upward trend of prices noticeable recently. They have now broadly recovered *from the slump* that followed the "investment-in-wine" boom which ended nearly four years ago; and in many cases surpassed previous records.

Among the popular 1961s, new top prices were recorded for Ch. *Margaux (£300 dozen)*, Haut-Brion (£250), Leoville-Barton (£120) and Lynch-Bages (£120). Magnums of the less esteemed 1962s also sold very well, with Lafite and Latour bringing £220 and £200 respectively per dozen magnums, while bottles of excellent Palmer made £100 a dozen.

Even the patchy 1964s were well received, with Latour making a record at £190 per dozen and Mouton-Rothschild bringing £125. The 1966s are increasingly in demand and yesterday brought new top prices, including Ch. Margaux (£165 per dozen magnums), Beychevelle (£— magnums), La Mission Haut-Brion (£88), Ducru-Beaucaillou (£68) and Leoville-Lascases (£66).

The sale total was £68,88—.

...ema

After Fitzgerald

by NIGEL ANDREWS

...ast Tycoon (AA) — Empire
...Films — Electric Cinema
...iolons du Bal (A) — Phoenix
...Skelter (X) — ...ton and Odeon Kensington
...queeze (X) — ...ner West End, Film Centa and ABC Edgware Road
...Dwarfs Started Small — The Other Cinema
...a Films of the '30s and '40s — National Film Theatre

...ywood's latest attempt to F. Scott Fitzgerald to the seems destined, like The Gatsby, to carry off all ...le accolades for *haute* ...e and eye-dazzling produc-...alues, but to leave a dis-...gly empty shelf when it ...to more durable and de-... awards. Once again ...'s most gifted novelist—the cut-diamond precision ...ase and image—has been ...ed to the screen with the gaudy panoply of the ...la epic: an all-star cast, ...xpense-spared production. ...st Tycoon was Fitzgerald's unfinished novel: and ...h screenwriter Harold ...and director Elia Kazan ...ot succumbed to the temp-...to round off its tanta-... abrupt ending, they have ...foily smoothed away, or ...red, most of the novel's ...harp edges.

Last Tycoon was the ...est fruit of Fitzgerald's ...periences of working in ...ood. Its hero, a wealthy, ...t young producer named Stahr, was modelled on boy-wonder production ...g the 1930s, Irving Thal-... Evaluating the book to-day trying to judge a painting ...e aid of an unassembled reproduction. Only half ...vel was completed, and ...at half is riddled with ...d notes for revision. Since ...ald's overall intentions for ...k survive only in a hand-...tters and a couple of plot ...ies (usefully reprinted in ...rrent Penguin edition), ... no way of knowing if ...hor's death robbed us of ...crystalline masterpiece ...e *Great Gatsby*, or of ...gifted, panoramic sprawl ...der *Is The Night*.

Pinter and Kazan have ...s is a synthesis of both: ...lline sprawl, as it were, ...the Delphic economy of ... dialogue is wedded to ...h and expensive visual ... this is Kazan in his ...ment vein) and a mind-... largess of subplots. ...on Fitzgerald's already ...mosaic of Hollywood life ...'s subtly varied relation-... with different actors, writers, directors, and fellow producers — the film crowds out the story with hyped-up star cameos: Tony Curtis and Jeanne Moreau as a pair of warring film stars, Robert Mitchum as old-... Donald Pleasence as a tetchy British screenwriter, Jack Nicholson as Writers' Union leader, one of the "new men" whom Stahr half-admired, and half-feared.

Of the romance that lies at the novel's fragile heart, furthermore—Stahr's love for an Irish-American girl Kathleen, the first *selfless, saving relationship* of his life—Pinter and Kazan, ably assisted by a doe-eyed, ex-pressionless newcomer called Ingrid Boulting, make a soft-focus idyll of quite unremitting banality: substituting for the laconic, doomed poignancy of the original, a Babycham world of sweet sighs and dewy-eyed glances and love against the sunset.

As Stahr, Robert de Niro *looks splendid*: a dapply patri-

The Entertainment Guide is on Page 16

cian mixture of Thalberg (complete with suavely waved fore-lock) and Fitzgerald himself. But as soon as he begins to act, *he is defeated like the rest of* the cast by the unholy alliance of damped-down dialogue and dwarfingly grandiose period detail. As an incarnation of Fitzgerald's bright, god-like hero—"he had looked on all the *kingdoms*, with the kind of eyes that can stare straight into the *sun*" — de Niro's performance fades from minute to minute, until the film's ill-appropriate last shot in which he liter-ally "fades" into the darkness of a movie sound-stage. The story's end comes as abruptly in the film than in the novel, but a very great deal more mercifully.

For London filmgoers there is much better value to be found among the short films being *screened next month by the* Elec-tric Cinema. The film archives have been scoured for these col-lector's pieces, mostly dating from the 1930s, and an oppor-tunity missed to see these now may be an opportunity lost for ever. They include two rare Eisenstein shorts, *Sentimental Romance* and *Day of Death* (the surreal eroticism of the first makes it seem more like a Dali-Bunuel collaboration than an early flower of Soviet cinema); Jean Epstein's atmospheric sea-piece, *Le Tempestaire*; Bessie Smith huskily giving voice in *St. Louis Blues*; *Ballet Mécanique*, a lively abstract film by painter Fernand Leger; and, irresistibly, W. C. Fields making his first sound appearance in *The Golf Specialist*, in which our rotund and bulbous-nosed hero endea-vours to show his lady friend how to hit a golf ball but is dis-tracted *by a combination of* faulty clubs, squeaking shoes and *some mysteriously ubiquitous* sticky paper.

The four-year-old *Les Violons du Bal* arrives in London just when one had begun silently to congratulate British distribu-tors on having had the good taste to leave it alone. The film, which has been enormously popular in France, was made by *Michel Drach* and is a *quasi-auto*-biographical account—thick on nostalgic adornment and thin on historical and dramatic sub-stance—of a childhood spent during the French occupation. The film begins with Drach playing himself (as a director who wants to make an autobio-*graphical film about . . . etc. . . .*), and Drach's son and wife playing, in flashback, Drach as a child and Drach's mother. Soon, how-ever, Jean-Louis Trintignant takes over as Drach—more bank-able, says the film's venal pro-ducer—and the film flits to and fro between a location-scouting *Trintignant in the present* and Drach *femme* and Drach *fils* in the past suffering the film-maker's persecution under the Nazis (as a Jew) and his eventual flight to Switzerland.

If you have gleaned from all this the idea of a home movie writ large, you are not far from the *truth*. The treatment is relentlessly arch and self-con-scious, running a gamut from winking confidentiality (of the this-is-only-a-film-folks variety) to self-glorifying heroism (was the flight to Switzerland, and the final scramble across no-man's-land, quite such a plucky, rous-ing, nick-of-time affair?). The film has precious little of interest to add to past film lore about the French occupation, and it sub-*stitutes for a searching examina*-tion — or even a potent evoca-tion — *of the period merely a* chic, facile, all-purpose nostalgia.

Helter Skelter is a belated screen version of the notorious Manson murders: produced and directed by Tom Gries, the talented film-maker (of *Will Penny* fame) who died last year shortly after completing a bio-pic of Muhammad Ali. Though burdened with a screenplay (based by J. P. Miller on the book by trial prosecutor Vincent Bugliosi) that lurches awkwardly between sensationalism and bathos, Gries produces a tauter, *more sober version of the story* than one might have expected. The film doesn't do much to fathom the character of Manson himself (though he is played by an impressively stark-eyed simulacrum, Steve Railsback) nor the mad-prophet influence he wielded over *his disciples*. But the investigation and trial *are presented with a commend*-able minimum of frills, and the murders themselves are mostly kept, with rare discretion, off-screen.

The Squeeze follows close on the flat-footed heels of *Sweeney!* Heaven preserve the British commercial cinema from subsist-ing into the 1980s on this mind-corroding diet of cops-and-robbers films, in which an ever more tired-looking contingent of British actors competes for screen time with an ever more stupefying round of car chases, punch-ups and *salty local colour* East End style. This latest varia-*tion has Carol White* kidnapped by gangsters David Hemmings and Stephen Boyd, and held to ransom until her rich tycoon husband, Edward Fox, can cough up a million pounds. American actor Stacy Keach prowls discon-solately through the film as a weatherbeaten private eye (who masterminds the attempt to re-cover her), and the film's high-light include a gunpoint strip-tease (by Miss White) whose mixture of prurience, lethargy and embarrassment just about sum this film up.

Showing at the Other Cinema from next week is Werner Herzog's marvellous early film *Even Dwarfs Started Small*, made in 1970 by the German director who has since given us *Aguirre, Wrath of God* and *The Enigma of Kaspar Hauser*. Admirers of those films should hasten to catch this early work: a strange, sour, demonic little fable in which the inmates of a remand school revolt against their tyrannical masters. Pon-derous German social comment? No: for the film is set in some bleached North African hinter-land and the school is peopled entirely with *dwarfs*. All resemblances between Herzog's *setting and any recognisable* social reality are thus purely coincidental. Herzog plucks his ideas, as always, from the world of dreams; and *Dwarfs*, which takes the idea of "microcosm" to a literal and absurd extreme, *has the gaunt, visceral, comic* eccentricity of a nightmare.

How German cinema once coped with a different, more palp-able nightmare may be seen in a season of German films from the 1930s and 1940s, which begins next week at the National Film Theatre. "Strictly speaking," says the NFT booklet, "there could be no such thing as a non-political cinema in Nazi Ger-many." But some directors tried their damnedest to create one, and with films whose periods and settings were comfortably re-moved from contemporary reality (*Amphitryon*, *The Emperor of California*, *Titanic*) they endeavoured to insulate art from the encroaching barbarism. The film shown to the Press was that which opens the NFT season next Tuesday: Helmut Käutner's *Romance in a Minor Key*, a sty-lish, soulful melodrama based on a story by Maupassant and made with laudable or chilling detachment, according to taste—in 1943.

Ingrid Boulting in 'The Last Tycoon'

Festival Hall

Dorati & Curzon

by PAUL GRIFFITHS

Wednesday's Royal Philhar-*monic Society concert* offered a programme of ultimate compo-sitions: Haydn's last symphony and Mozart's last piano concerto in the first half, and then, after the interval, the last orchestral work completed by Bartok, his Concerto for Orchestra. How-ever, with Antal Dorati in charge of the Royal Philharmonic Orchestra, there was nothing valedictory about the evening, except perhaps in the slow move-ment of the Bartok. *Rather the* chief characteristics were liveli-ness and good humour, though both were somewhat attenuated, of course, in the Mozart concerto.

The concert's other com-posers, Haydn and Bartok, are two with whom Dorati has a spe-cial association, having recorded more Haydn symphonies than anyone else and, I suspect, more Bartok as well. Performing both in the same evening he was able to illuminate the similarities be-tween them, so that Haydn appeared, for his time, as much a folksong enthusiast as Bartok, and as much a master of rhyth-mic action. Perhaps that quality was a little exaggerated in the last two movements of the sym-phony. Dorati's thumping accents in the minuet were not inapt, but rests were sometimes just sufficiently overloaded with pregnancy to seem mannered.

When it came to the Mozart, Dorati seemed to submit his enthusiasm and his keen ex-pressive bite to the test of Sir Clifford Curzon's solo playing, and the orchestra, elsewhere performing with amiable extro-version, fell in to take their lead from the pianist. K595 is a work excellently well suited to Sir Clifford's discreet and elevated style, since nowhere does the character of any par-ticular detail obtrude; one is aware more of an easy, lyrical flow which takes in all. In this way the piece was done on this occasion. Some pianists can find *in the music a natural simplicity* that was soon to emerge fully in the character of Papageno, but that was not Sir Clifford's way.

His tone was beautifully formed, and I can find no better word to describe it than that old cliche of piano criticism "pearly." Within that sphere of milky lustre his range of colour was not great, nor did he raise his voice above a confiding middle-low. The variety in his performance came instead from close attention to phrasing, and in particular from the occasional presenting of an idea with subtle detachment, technical and ex-pressive. In the slow movement this was once or twice surprising, but unquestionably it assisted Sir Clifford's access to the elusive world of the last work written by Mozart for himself to play.

Albert Hall

Fischer-Dieskau

The Albert Hall would seem a rather cheerless place for a song recital, but it turned out to be an excellent setting for the recital given by Dietrich Fischer-Dieskau and Wolfgang Sawal-lisch on Wednesday, *when the* programme consisted entirely of Hugo Wolf's Goethe Lieder. Though both singer and pianist raised the sleeping echo once or twice, the resonance of the hall displayed the bloom on the baritone's voice—incredible that his international career should span more than a quarter of a century—and did no harm to the piano tone either.

Dietrich Fischer-Dieskau has *always responded* particularly well to the intellectual chal-lenge of these songs. Disdain-ing to warm up on something relatively light, he plunged straight into the loneliness, the bitterness and anguish of the *Harfenspieler Lieder* (from *Wilhelm Meister*), finding imme-diately the correct vocal projec-tion needed in this hall. "Gany-med," in the next group of songs, was full of tenderly ex-pressed emotion, while "Der neue Amadis" gained from the irony with which the narrator's day-dreams were described. "Der Rattenfänger" ended the first half of the programme in exhilarating style; Wolfgang Sawallisch's playing of the post-lude was particularly lively.

The second half was built round two of Wolf's most monu-mental songs, "Grenzen der Menschheit" and "Prometheus." *The baritone phrased the former* with a sober strength that never overloaded the vocal line with more meaning or content than it could bear. "Prome-theus," on the other hand, he attacked with an aggressive power that evoked an almost Wagnerian battle between the elements, though again his declamation never lost its musi-cality nor his tone its smooth-ness. In both cases the pianist exactly matched the singer in mood, expression and volume.

In between these two mighty examples of Wolf's genius at setting the sublimest verse, Dietrich Fischer-Dieskau sang "Anakreons Grab," scaling down his interpretation, fining down his delivery to a peaceful, gentle account of this most lyrical of poems. Finally he characterised the "Cophtisches Lied I" with genial mastery, lending an *especially convincing voice to* the aged Merlin, and proffered *good-humoured advice as the* sage in "Cophtisches Lied II," aided with equal geniality by Wolfgang Sawallisch.

ELIZABETH FORBES

...g Vic

...omeo & Juliet

by B. A. YOUNG

...s a characteristic Young ...uction, both in its good ...nd its less good. Its ... merit is a determina-... to make the story under-... The lines are spoken ... their poetry than for ...aning, and the play is ... *as if it had happened* ...k in some world from a ...m.

...(Simon Chandler) is a ...pper-class tearaway, per-...ears old, in a white suit ...ed trousers. Except in ...er scenes, Mr. Chandler ...t try to make him ...likeable: he is just one ...boys. Juliet (Natasha ...a truthful 14, who can ...Shakespeare's astonish-...t juvenile lines—"Take ...cut him out in little ...d he will make the face ...so bright/That all the ...ll be in love with night" ...hey were natural prattle ...as glittering verse, and ...hem with well-observed ...movements.

...e matches. Lady Capulet ...Graham) is indeed only ...ill's age, with a neat ...a fine head of auburn ...o sips Campari and soda ...first broaches the ques-... marriage. Benvolio ...Yip) and Mercutio ...Henry) are a pair of ... yobbos, so conscious ...own superiority that they can be impertinent to any-one else; though Mr. Henry is a better hand with the verse than almost anyone, and does the Queen Mab speech *excellently*. Peter is a solid mobster, a gang-ster's bodyguard. *The fact that* they are all in modern dress *seldom fights with the old roman*-tic story, for within the dress are the genuine characters who are not for an age but for all time.

As always at the Young Vic, the young people run every-where rather than walk, and the most is made of the fights, par-ticularly of the fatal duel be-tween Tybalt and Mercutio. *Tybalt uses a flick-knife*, the dandy Mercutio a swordstick. There is no scenery at all, every-thing being played on the bare stage, or stages, rather, for full advantage is taken of the theatre's three levels.

The inevitable disadvantage of stressing the naturalism of the action is that some of the poetry is lost. Apart from Mercutio, only the older generation *cope* truly adequately with it. Helen Lindsay's nurse, a well-bred per-son who is received with familiarity by her aristocratic employers, is remarkably good, in a performance that owes noth-ing to any previous Nurse I have seen.

The admirable direction is by Denise Coffey.

...eum

Die Fledermaus

by MAX LOPPERT

...chic, very smart, very ..." murmur the chorus ...sky's party, providing a ...signpost to the qualities ...missed in this rather ...revival. The Byam Shaw ...on does seem to have ...pot since last I saw it, ...ears ago. The flotsam ...am of what was once an ...sensible show still float ...w and then; but, over-...d by the general lack of ...pruce ensemble playing, ...ch principal doing his ...ell-routined thing (the ...court a shining exception, ...ne with Brian Casey's ...and later Eric Shilling's ...is now the abyss, each ...unfunny muggins aimed ...udience with the force of ...d club), the supreme ...usness and rich, volup-...le of the Strauss operetta ...ng way off.

...ductor with a will might ...lled things together. In ...erture, Henry Kripps's ...was like glue; and ...later the orchestra began ...d less creaky, rhythms ...to plod, vocal lines to be ...l instead of shaped. The ...familiar: Anne Evans, a ...l, strong-voiced Rosa-...ithout much elegance or ...er Hungarian countess ...a little in dashing ...e; Emile Belcourt, a friendly, frisky Eisenstein, vocally very dry; Ann Hood's Orlofsky playing the part as it always is played, and also in somewhat edgy voice. The chubby figure of Anthony Roden's Alfred was a source of perhaps unintentional comedy, though his tenor is now a full, free instrument. The saving grace of the performance was Sandra Dugdale *in fresh voice*, unfailingly sweet and sure at all altitudes, happily underplaying Adele's part amid the stale jokes and the easy laughs. With Bel-court a shining exception, words disappeared for long stretches at a time. Some stern-eyed supervision is in order.

Gordon Crosse commission in memory of David Munrow

A work by Gordon Crosse has been commissioned by the Hinckley Music Club, Leicester-shire, *in memory of* David Munrow, who died last year. *David Munrow* was president of the club, and his place has been taken by his widow. She it was who suggested Gordon Crosse for the memorial work, which will be for voice, recorder, harpsi-chord and viola da gamba.

Collegiate Theatre

Saul and David

The British premiere of Carl Nielsen's *Saul and David* is this year's treat from University College Opera Society. The pro-duction, by Christopher Renshaw in designs by Peter Snow, con-ducted by Guy Woolfenden, is worth the attention of opera-goers who don't normally seek out student performances. *Saul and David*, for a first opera, is a serious, thoughtful, competent work on one of those *Old Testa*-ment subjects which still have *a hold on the public, a subject* moreover with more than enough *ambivalence to involve* a modern audience. Writing as one normally only mildly aroused by Nielsen's fiercely praised symphonies and con-certos, I happily admit that I found the evening almost con-tinuously rewarding.

Saul was first given at the Royal Theatre *in Copenhagen in* 1902, a few years before Niel-sen's second opera, the comedy *Maskarade*. The earlier work *has been broadcast* here, and a useful recording, which will be reviewed here in due course, is available from Unicorn. Con-sidering the Danish composer's high reputation and the voracity of student and fringe opera companies, it is surprising *that* none of them has tackled the *work before now*.

For an opera written at the turn of the century, *Saul* is un-Wagnerian. In his notes in the booklet that comes with the Unicorn recording, Antony Hodgson quotes some remarks by Nielsen on Wagner's use of Leit-motiv: they read now almost as *sillily as Debussy's* familiar observations on the subject. Although on early acquaintance there are few signs of *Tristan*, *The Ring* or *Parsifal*, their predecessors are surely a presence in the background. In part of the first act Nielsen becomes bogged down in common time almost *as firmly as Wagner* in *Lohengrin*, until the arrival of Jonathan with his lyrical three-four pulls him out. As for Leit-motiv, the weakest part of the score are the scenes of declama-tion where Wagner would have *woven a shifting, living tissue of* relevant themes. Nielsen's ideas in such passages are respectable but often dull. The big choral scenes have a ring of *Samson et Dalila*.

The subject, with the compli-cated net of personal relation-ships (Saul, David, Jonathan, Michal) set against a background of turbulent Israelites and *marauding Philistines*, with three interventions from the aged *prophet Samuel (one from* beyond the grave, through the *medium of the Witch of Endor*), grips in spite of awkward corners in the libretto—Einar Christian-sen's original is given in Geoffrey Dunn's English version. The production, though Mr. Renshaw relies too much on spear-brandishing, is serviceable. Sets and costumes are better *than one sometimes sees in* grander places. Mr. Woolfenden conducts the *student orchestra* and chorus with a vigour that brings solid results even if the masterly quality of Nielsen's scoring is not invariably con-veyed.

Tom McDonnell as the neuro-tically unstable Saul adds another portrait to his gallery of *strange baritone roles — at the* first performance he was push-ing his voice unnecessarily hard. David Hillman's David, warrior-cousin to the other shepherd he sang in *King Roger*, added to this singer's pastoral laurels — he had plenty of power in reserve for the jubilant last scene. Jona-*than, a lesser but gravely written* tenor part, was sympathetically taken by Philip Doghan. Janet Gail sang Michal, a role once graced by Flagstad; Grave Dives was the Witch of Endor, like Verdi's Ulrica a single-scene role needing a strong contralto. As Samuel, Kenneth Francis was mercifully *un-sententious*. The all-male ballet arranged by Terry John Bates is danced with rather tentative assistance from Ballet Rambert. Two more perform-ances, to-night (Friday) and to-morrow (Saturday).

RONALD CRICHTON

T. C. Worsley dies

T. C. Worsley, who was theatre critic of the Financial Times from 1958 to 1964 and television critic from 1964 to 1972, died in his sleep on Wed-nesday night at his home in Brighton. He would have been 70 this year.

Cuthbert Worsley was educated at Marlborough and Cambridge (where *he once* played cricket for the University). He began as a schoolmaster, but left after a few years to become a freelance writer. He served as a stretcher bearer in the Spanish civil war (on the losing side), and wrote a moving book about his ex-periences, *Behind the Battle*. On his return in 1939, he joined the staff of the New Statesman, but the following year he went into the RAF.

In 1946 he rejoined the New Statesman, where he became Literary Editor and Drama Critic. His style, preserved in a volume of collected criticism, *The Fugitive Art*, was decep-tively conversational, his judg-ments *being uncommonly acute*, with a leaning, surprising in view *of his progressive ideas about* life in general, towards the well-*made play*. He became theatre critic of the Financial Times in 1958, but ill-health (he suffered from emphysema) compelled him to relinquish the appointment six years later. He then became the paper's first television critic and at once established in that field the same authority he had enjoyed in the drama.

He often appeared in the BBC's "The Critics," either as theatre critic or as chairman. He finally retired in 1972, and in that year he was given the IPC's award as Critic of the Year.

He wrote a remarkable auto-biographical work, *Flannelled Fools*, and a novel, *Fine Minutes, Sir Mattheu*, with a stage set-ting.

EUROPEAN NEWS

EEC Commission stall on Soviet butter deal report

BY ROBIN REEVES

BRUSSELS, Feb. 24.

REPORTS THAT 75,000 tonnes of Common Market butter had been sold to the Soviet Union, with the aid of an EEC subsidy of some £68m., could be neither confirmed nor denied by embarrassed European Commission officials here to-day.

According to usually reliable sources here, the 75,000-tonnes contract has been arranged by M. Jean-Baptiste Dumeng, head of the large southern French agricultural co-operative, Inter-Agra, who was also responsible for clinching the controversial sale of 200,000 tonnes of surplus EEC butter to Russia in 1973.

Acutely aware of the political furore caused by this earlier deal, an official spokesman to-day could only state that the Commission had no knowledge of any such export contract and had not received a request for a special export subsidy. But he admitted that this did not necessarily mean a deal had not been concluded.

If true, the deal would have been set off by a decision of the Commission's dairy market management committee earlier this month to increase the export subsidy on butter by 10 per cent. to 159.75 units of account, per 100 kilos, or £910 a tonne.

It was the unanimous view of the committee, made up of EEC and national Government (including U.K.) officials, that the subsidy increases was needed to bridge the gap between the internal Common Market butter price and a lower world price, to allow the export of a few thousand tonnes of EEC butter to Algeria, Iran, Tunisia and Poland.

The world price is currently around $900-925 a tonne, compared with tht full EEC butter intervention level of $2,167 a tonne. The U.K. butter intervention price is currently just over $1,700 a tonne, but it is intended to rise sharply over the coming year under EEC transition arrangements.

The sale of 75,000 tonnes to the Soviet Union could mean a cut in Common Market's surplus butter stocks of more than a third. At the last count, they totalled around 190,000 tonnes, while surplus skim milk powder still amounted to 1m. tonnes.

Meanwhile in London an MP, Mr. Tom Torney, chairman of the Labour Party food and agriculture group said: "I am utterly appalled by this stupid situation." He will table a Commons question to the Agriculture Minister, Mr. John Silkin, urging him to work towards ending the Common Agricultural Policy "so we can buy our food in the free markets of the world."

Mr. Michael Young, chairman of National Consumer Council, said he was deeply concerned at the reports. "We hope that the U.K. Government will reject this plan and return the surplus of Common Market butter cheaply to consumers in the Common Market."

Socialists angered by Suarez decision

By Roger Matthews

MADRID, Feb. 24.

SR. ADOLFO SUAREZ, the Spanish Prime Minister, was accused to-day by the Socialists of declaring war on them, while the extreme right wing has issued death threats against the Premier and threatened bloodshed in the run-up to the General Election, now only three months away.

The Spanish Socialist Workers Party (PSOE), legalised at the end of last week and the country's largest socialist party, was bitterly angered by the Government's decision last night to also legalise a splinter group of the party which bears the same initials.

The so-called "historical" group, which was ousted from the main party in 1972, carries the initials PSOE (h), a factor that seems bound to cause electoral confusion. "The Government has committed a grave attack against Spanish Socialism and its treatment of working class parties shows that every day it is becoming less competent to preside impartially over elections," said a PSOE statement.

In a subsequent statement the PSOE said it would withdraw from the ten-man Opposition negotiating team that had been holding talks with the Prime Minister over the contents of the electoral law and other democratic guarantees.

Pressure on the Government and the courts to give the Communist Party legal status is also being stepped up, with the probability that M. Georges Marchais and Sig. Enrico Berlinguer, the Secretaries-General respectively of the French and Italian Communist Parties, will come to Madrid in the next fortnight for a meeting with their Spanish counterpart, Sr. Santiago Carrillo.

Just as the main PSOE to-day reminded the Government of the powerful international support that it has, so the planned Communist meeting is partly intended as a similar warning.

An extreme right-wing group calling itself the anti-Communist Apostolic Alliance has meanwhile telephoned two Barcelona newspapers threatening to kill Sr. Suarez for betraying the principles of Gen. Franco. It promised that there would be violence in the period before elections and claimed responsibility for the recent murder of five Communist Party lawyers in Madrid.

Puzzle over Italian Socialists' manoeuvre

BY DOMINICK J. COYLE

ROME, Feb. 24.

ITALY'S Socialist Party, while insisting publicly that it has no wish to enter another centre-left Government, has now asked for separate meetings with both the ruling Christian Democrats and the powerful Communist Party. These are to take place here next week.

The Socialists' strategy is unclear. The party's abrupt withdrawal of Parliamentary support from the then Moro Government brought on last year's premature general elections, and Sig. Giulio Andreotti, the present Prime Minister, may well be reluctant to accept them again as a coalition ally.

On the other hand, the Christian Democrat administration has no working majority in Parliament and, in effect, depends for its survival on the Communists. A formal alliance with the Socialists would, therefore, be of obvious voting advantage to Sig. Andreotti.

Sig. Benedetto Craxi, the party's new General Secretary, undoubtedly sees the real risk of the Socialists now being virtually squeezed out of the Italian political process between the Christian Democrats and the Communists. Accordingly, he would like to get the party into Government again, but only with the tacit approval of the Communists.

When he meets Christian Democrat leaders next week he may wish to offer a new alliance, and thus a Parliamentary majority, to the Andreotti Government, but only on condition that the Communists continue with their policy of abstention. The Christian Democrats, for their part might be willing to accept the Socialists under certain conditions, but not as part of a wider deal with the Communists.

AP-DJ adds: A Communist move to have former Premier Mariano Rumor judged by Parliament in the Lockheed payments affair failed to-day. The communists had sought to overturn the findings of a special parliamentary commission that had cleared Sig. Rumor while indicting two former Defence Ministers on corruption charges. The Socialist and Republican Parties refused to agree to the move.

Belgian unions begin strikes campaign for shorter hours

BY DAVID BUCHAN

BRUSSELS, Feb. 24.

THE TINDEMANS Government to-night faced the start of a month of staggered strikes against its economic policy. Prime Minister Leo Tindemans has called the 24-hour strikes openly political, designed to bring his coalition down, but union leaders maintain their aim is to harass the Government into accepting, among many other demands, a 36-hour week and reversing proposed indirect tax increases.

The Belgian railways came to a halt, affecting international connections and cross-Channel ferries, and workers in two provinces—West Flanders and Hainault—were called out. Thereafter, ending up with the Brussels area, on each of the next four Fridays two different provinces will be hit, and other public services will be halted. In addition a national newspaper strike is planned for March 10.

The strikes are a serious threat to Mr. Tindemans' Christian Democrat (CD) dominated coalition because the largest union federation, the CSC, which, forsaking its traditional links with the CD party, has decided to make a common front with the socialist FGTB in calling out selected sectors of their combined 2m. members.

What precipitated the CSC into this unusual joint action was the announcement a fortnight ago by the Government of measures chiefly aimed at halving the 1977 public deficit by raising VAT rates to produce an extra B.Frs.14.2bn., and at making some inroads into unemployment partly by stimulating investment.

Mr. Tindemans has already won in Parliament a vote of confidence on the broad outline of his plan, but union leaders have attacked it as inflationary, and called the measures to deal with unemployment (running at 260,000 or 9.9 per cent. of the insured labour force) merely cosmetic. The Government intends raising the school leaving age and giving financial inducements for early retirement.

The unions have other, more long standing disputes with the Government. In addition to general complaints about increased health insurance charges and decreased family allowances, public sector workers are demanding a wage rise this year of more than the increase in the consumer price index (to which all Belgian wages are linked) and also that the Government pay their union subscriptions, as private employers in Belgium mostly do. The Government has rejected both demands.

Controversial

Equally controversial, the CSC and FGTB are demanding a 36-hour week, seeing in it a way to cushion rising unemployment.

The Government points out that the Belgian working-week is already the shortest in Europe, and the employers federations have expressed horror at what shorter hours without lower pay would mean to the country's competitivity abroad. The head of the engineering federation has cited figures showing that if Belgian wage costs per hour are taken as 100, Germany is 97, the Netherlands 90 and the U.K. 70.

Fairly secure in Parliament, Mr. Tindemans has tried to stay firm, echoing the words of one coalition politician this week that: "Ce n'est pas la loi de la rue mais la Rue de la Loi (the Prime Minister's official address) qui doit gouverner."

Indeed he raised Opposition and union shouts of protest when last week-end he suggested that what Belgium needed was "an action committee for the defence of democracy." He later explained that by this he meant nothing unconstitutional, only that all Belgians should deplore strikes for political ends and that he was only speaking as a private citizen and not as Premier.

It is highly likely that he will announce, perhaps after tomorrow's Cabinet meeting, changes in the VAT increases—either by lowering the total amount or by choosing different items and sectors on which to levy the increases. As it stands, VAT would be raised on, among other things, cigarettes, petrol, cars, alcohol and a whole range of services: hotels, restaurants, theatres. But before making any more concessions, the Government is awaiting the results of to-day's strikes.

They will almost certainly win greater support in the more militant and economically depressed French-speaking Wallonia than in relatively conservative and more prosperous Flanders. What Mr. Tindemans sees as the "defection" of the CSC is explained by the growing predominance of Walloons under the leadership of M. Robert d'Hondt in the federation. The moderate CSC head, M. Jef Houthuys, has traditionally played the sort of role with the Government that Mr. Jack Jones has with the Labour Government in Britain. But he is being pushed on by growing numbers of CSC militants from the south of the country, which is economically in bad shape, especially its large steel industry.

But as a member of Mr Tindemans' staff said to-day: "Most things in Belgium are negotiable." Whether the strikes run their full course or some quick accommodation can be reached will largely depend on the unions' first show of strength to-day. In his support, Mr. Tindemans has the knowledge that the parliamentary Opposition is in no mood for an early election—due in any case next spring. Although the main Opposition party, the Socialists, has now got back one of its stars and former Ministers, M. Henri Simonet, an EEC Commissioner until the turn of the year, it has presented no proper economic alternative to the Government's.

Inflation steady in France

By Robert Mauthner

PARIS, Feb. 2

THE OFFICIAL French cost of living index rose by only 0.3 per cent. in January for the second month running, making an inflation rate of just over 9 per cent over the past 12 months.

The low January figure provides a welcome and unexpected boost for Prime Minister Raymond Barre's anti-inflation programme, a little more than three weeks before the municipal elections. It had previously been forecast that the index would rise by some 0.5 per cent., and that the trend would get worse during the next few months.

The stabilisation of the inflation rate follows the end on January 1 of a three-month price freeze in the private sector, compensated by a reduction in the standard VAT rate from 20 per cent. to 17.6 per cent. This policy has apparently been successful since the prices of manufactured goods fell by 0.2 per cent. last month, though those of food and services rose by 0.7 per cent.

The good news on the inflation front has been offset by the Government announcement that the 1977 budget, which was expected to be in slight surplus, would be some Frs.10bn. (£1.17bn.) in deficit, in spite of cuts of Frs.2bn. in Government subsidies to state-controlled enterprises. A supplementary finance bill will be introduced in the National Assembly in April to cover this deficit, which has been caused by sharp rises in public debt servicing payments, the deficits of public utilities, the inflation-indexed salaries of civil servants, and social-security and unemployment payments.

The Prime Minister has already made it clear, however, that the Government is contemplating no major spending cuts.

Portugal strike

The dispute in Portugal's textile industry, which directly employs 300,000 workers and directly affects 1m. through ancillary enterprises, shows signs of abating, Diana Sm writes from Lisbon. Management failed to attend a scheduled conciliation meeting with unions at the Lisbon Ministry yesterday and union spokesmen later said a full strike will be called to-day after five days of going slow and a full stoppage last week.

Clifford talks

President Makarios met U.S. Presidential envoy, Clark Clifford, whose mission, said after a three-hour meeting will help considerably the search for a Cyprus settlement, Nicosia Correspondent reports.

Ireland asked to put back fishing ban

BY OUR OWN CORRESPONDENT

BRUSSELS, Feb. 24.

THE European Commission has called on the Irish Government to delay implementing its unilateral ban excluding large fishing vessels of all nationalities from waters varying from 50 up to 100 miles off the Irish coast.

The ban, which would exclude all vessels over 110 ft. or 1,100 bhp from fishing in the designated zone, and which is due to come into effect on March 1, has provoked vigorous protests by several EEC Governments.

In a letter to the Irish authorities, Mr. Finn Gundelach, the Brussels Commissioner for Fisheries, calls for a fortnight's postponement to try to find Community solutions to Ireland's concern.

Dr. Garret FitzGerald and Mr. Patrick Donegan, the Irish Foreign and Fisheries Ministers respectively, have agreed to come to Brussels next Monday to discuss the question. But, according to reports from Dublin, a postponement is considered unlikely.

Ireland maintains that the recently-agreed EEC conservation measures are inadequate to protect Irish fish stocks and, moreover, do not fulfil the Community pledge to help expand the Irish fishing industry.

The Commission is still studying the legality of the Irish move, which Dublin says is permissible under EEC rules because it is non-discriminatory (two vessels in Ireland's fishing fleet are affected) and in accordance with the provisions of the fisheries agreement among EEC Foreign Ministers reached in The Hague last October.

David Satter in Moscow adds: The Soviet Union to-day announced it will establish a temporary 200-mile fishing zone around most of the Soviet coastline, from March 1.

The decision to establish the zone in the Bering Sea, the seas of Okhotsk and Japan and the Chuckchee Sea, the Pacific and the Arctic Oceans including waters around islands, was made by the Soviet Council of Ministers.

Tass said the zones are being established because several States are establishing fishing zones without waiting for the conclusion of the International Convention being drafted by the U.N. Law of the Sea Conference. The Soviet Union considered it necessary to take conservation measures in its turn before the conclusion of the Convention.

The nation most affected by the introduction of the Soviet 200-mile fishing zone in the specified areas will be Japan.

Peking seeks talks on trade

By Guy de Jonquieres, Common Market Correspondent

BRUSSELS, Feb. 24.

IN A move apparently provoked by the Soviet Union's new found interest in negotiating with the European Community, China has told the EEC Commission that it wants to resume discussions with Brussels on trade questions, after a break of nearly a year.

This message has been conveyed to the Commissioner responsible for external affairs, Herr Wilhelm Haferkamp, by China's Ambassador to the EEC, Mr. Huan Hsiang. Mr. Huan said that his Government was keen to resume the contacts "as soon as possible," according to a Commission spokesman.

It is considered significant in Brussels that Mr. Huan chose to call on Herr Haferkamp at the start of last week, just two days before an official delegation from Moscow arrived here to open unprecedented negotiations on Soviet fishing quotas inside the Community's 200-mile limits.

But Commission officials are still puzzled as to whether the Chinese initiative is merely a manoeuvre, to snatch some of the Soviet limelight, or whether it also reflects a genuine desire to establish closer links with the Community.

The Commission began its discussions with Chinese officials at the start of last year, in the context of the general offer which it extended in late 1974 to negotiate trade agreements with the Governments of Communist states, known in Community language as "State trading countries."

China responded initially by inviting Sir Christopher Soames, then the Commissioner responsible for external affairs, to deliver a lecture in Peking in May, 1975. Soon afterwards, the Chinese Government accredited an Ambassador to the EEC and indicated that it was studying the possibility of a trade agreement with interest.

The ensuing discussions never rose above a technical level and consisted essentially of an informal briefing by Commission officials on the nature of the EEC and its trading practices. These contacts were suspended, after only a few weeks, last April, apparently because of the political upheavals in China which followed the death of Mao Tse-tung.

The feeling in Brussels is that it is up to the Chinese to make the running on trade questions.

Delay in lorry hours rule

BY OUR OWN CORRESPONDENT

BRUSSELS, Feb. 24.

THE EUROPEAN Commission said to-day it was granting Britain and Ireland a further ten-month extension of the deadline for complying with EEC rules limiting the daily working hours of lorry drivers.

The two countries had been due to conform with the rules by the start of next month. The extension will run until the end of this year, when the five-year transition period granted Britain and Ireland after they entered the Community is also due to expire.

The EEC rules, which date from 1969, restrict the number of hours which lorry drivers may spend at the wheel to eight a day, compared with the 11 hours a day permitted by U.K. law. The British Government has argued that compliance with EEC requirements would confront road haulage operators with demands for a substantial increase in hourly wage rates to compensate for the reduced working time.

The Commission is prepared to take a fairly lenient line with the British and the Irish because it has itself proposed a series of amendments to the rules which would make them more flexible. It is hoped that these proposals will be approved by the Council of Ministers before the end of this year.

German industry sees no upturn

BY ADRIAN DICKS

BONN, Feb. 24.

WEST GERMAN manufacturing industry appears more willing than in recent months to admit that its present business climate is not too bad, yet it remains sceptical about the prospects for further significant improvement during the next six months. This is the burden of the IFO economic research institute's latest survey of businessmen's expectations.

Overall capacity use rose during January to 81.2 per cent. for manufacturing industry as a whole, 3.5 per cent. higher than in January, 1976, though only about 1 per cent. better than in October, 1976. Moreover, most companies still say they are operating below "normal" capacity and too low to justify any consideration of expanding proudction by more than seasonally customary amounts.

The overall judgment on export prospects is that the present level of business will be maintained for the next three months (though recent comments on this year's prospects by several major exporting companies have tended to bewilderment rather than strong optimism or pessimism.

Assessment of the current state of business vary widely from sector to sector. Capital goods industries as a group appear very gloomy with electrical engineering and machine building companies reporting only 74 per cent. capacity use and sceptical that their recent gains in new orders will be maintained. Steel producers, predictably, expect business to decline in the next three months, while those sectors which formerly made positive judgments, such as utility vehicles and computers, appear to remain positive.

Commerzbank, in a survey of private sector employers, reported to-day that only 12 per cent. expect to increase manpower this year, while half expect to employ fewer. The bank says industrial companies appear to be taking a more positive view than those in the services sector, although the position is partially distorted for the better by a continuing demand for labour in the motor industry.

More hopefully, the Federal Labour Office in Nuernberg—which compiles West German unemployment figures—seems to be the source of reports to-day that unemployment will probably decline from January's 1.25m. Mild weather most of this month has strengthened hopes there will be little further increase from the present level (equal to 5.5 per cent.) when the February figures appear.

Publicity for Amalrik an embarrassment to Giscard

BY OUR OWN CORRESPONDENT

PARIS, Feb. 24.

SOVIET DISSIDENT Andrei Amalrik has been foiled in his attempts to see President Giscard d'Estaing of France; but he has probably got far more publicity for his cause in the French Press than if he had been received by the President.

His one-day hunger strike in front of the Elysée Palace yesterday, his statements on the Soviet Union's failure to respect the human rights clauses of the Helsinki agreement, and his criticisms of the West's policies towards the Soviet Union, have all, hit the headlines, and have undoubtedly embarrassed the French Government.

President Giscard was faced with a delicate decision when Mr. Amalrik made his request to be received by him. Though the President certainly sympathises with some of his views, he had just been informed by the Soviet Ambassador that Mr. Leonid Brezhnev, the Soviet leader, had accepted an invitation to visit France before the summer.

Clearly, the President was also irritated by Mr. Amalrik's attempts to force his hand. "Mr. Amalrik's demand to be seen by the President at a time of his own choice is totally unacceptable," M. Michel Poniatowski, the Interior Minister, said to-day.

Mr. Amalrik, however, remained totally unabashed by these rebukes. In an interview with the left-wing newspaper Liberation to-day he said that Western Governments in general were too attentive to the Kremlin leaders.

French officials have stressed that the French Government is as anxious as any to see that the human rights section of the Helsinki agreement is respected. At the same time, however, the Government stands firm on the principle of non-interference in the internal affairs of other countries.

David Salter reports from Moscow: In a statement apparently intended expressly for President Carter, the Soviet Union to-day again denounced former Soviet dissident Vladimir Bukovsky as a "criminal" who was punished for penal crimes "not for anything else."

Reacting to President Carter's decision to see Mr. Bukovsky, the official news agency Tass said that "an anti-Soviet hullabaloo" was being conducted "with the knowledge of the official authorities." It repeated charges that Mr. Bukovsky had planned terrorist acts and was paid by Western patrons.

Our Warsaw Correspondent writes: The official Polish news agency PAP has published in full the Polish episcopale's warning that three sermons purportedly by Polish primate Cardinal Wyszynski printed and distributed through the post by "persons unknown" are false. The forgeries suggest that Wyszynski goes along with the Communist Party's favourite propaganda themes. PAP's action is seen as evidence of the Polish leadership's desire for good relations with the Church at the moment. This may be connected with the arrival on March 4 of Archbishop Poggi from Rome for a two-week visit.

Reuter adds from Prague: Two young Czechs have been arrested after circulating the Charter 77 human and civil rights manifesto, informed dissident sources said to-day.

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U.S.-U.K. air routes talks to resume in bitter mood

BY DAVID BELL

WASHINGTON, Feb. 24.

...ERICAN negotiators believe ...t Britain has so far taken ...arsh and extremely narrow" ...itions on the renegotiation of ...Bermuda Agreement which ...ulates the $500m. transatlantic ...routes between Britain and ...United States.

...hey are likely to make this ...t forcibly on Monday, when ...next round of the talks gets ...er way in London. The agree...t expires on June 22, at the ...uest of Britain, which claims ...it gives U.S. airlines too ...e a share of the market.

...far the talks, which have ...accompanied by an unusual ...unt of acrimony, are under...d not to have got very far, ...Britain presenting a num... of position papers but the ...ericans submitting next to ...ing in return.

British negotiat...s do not accept the Americ... view and say that it springs ...rgely from the failure of U.S. ...irlines and the Carter Administ...ation so far to agree on a comm...n approach to this issue.

The talks are ...particularly important because ...ther world airlines have in t...e past regarded the Bermud... Agreement as a model for ...their own negotiations.

The U.S. side ad...its that it has been hampered b... the change in administrations, ...d the new Carter team is only ...ow making up its mind about ...ternational aviation policy. Bu... American officials also believe ...rongly that the tough U.K. line ...has so far ignored what one d...scribed as "the tough econom..., political, and structural reali...es" under which any American government must operate.

In particular they believe that the U.K. Department of Trade negotiating team, led by Mr. George Rogers, has taken a "harsh and extremely narrow" view of what is involved. For this reason the U.S. may soon announce the appointment of a more senior negotiator in the hope that this would compel Britain to follow suit. It is, however, by no means certain that the U.K. would rise to this bait.

Meanwhile, the U.K. Government's decision to abandon its fight against Mr. Freddie Laker's Skytrain may provide the Americans with just the powerful counter-argument to the British case for which they have been looking.

Britain has been contending that competition between "city pairs" should be restricted to one British and one American airline on each designated route. It is pointed out here, with not a little relish, that the Skytrain decision means that Britain must accept that two British airlines—British Airways and Laker—may henceforth be flying between Britain and the U.S.

No one here will, therefore, be very surprised if the Americans were to announce approval in principle of the Skytrain quite soon. This might arouse the ire of the scheduled U.S. airlines, but it would also certainly put the British in a difficult position.

...are regulations criticised

...Y JAY PALMER

NEW YORK, Feb. 24.

...E POSSIBILITY of President ...my Carter moving quickly to ...gulate the domestic U.S. air... increased sharply yester... when the General Accounting ...e (GAO), the investigative ...of Congress, issued a report ...ing that excessive govern... fare regulations greatly ...ased the costs of flying.

...e GAO said that the domes...rlines could have eliminated ...ge annual costs of nearly ... between 1969 and 1974 but Government control of ... These savings, it said, have been passed on to ...ngers.

...related move, during his Press conference late ...day, the President ...nced that he would soon a formal message to Congress endorsing the concept of less regulation of t...e airlines. Last year the Civil ...eronautics Board (CAB) u...nanimously advocated a prog...mme of deregulation and aske... Congress for legislation along ...hese lines.

The President hint...d strongly that he would not wa...t to limit deregulation just to f...res. This has been interpreted ...s signifying his support for ...egislation introduced earlier t...is month that would create mor... fare competition, liberalise th... rights of airlines to enter o... abandon routes and direct su...sidies of local routes that migh... otherwise not survive. It woul... also increase anti-trust weap...ns against abuses by competing ...irlines.

The GAO said that ...its study had found that, under ...less fare regulation, airlines c...ould probably have charged sha...rply lower first-class and econo...y fares, ranging up to 52 per cent. below the going ra...tes. The Agency acknowledges ...that passengers would have ...had to accept less comfort and less frequent flights to achi...eve these savings.

Spokesmen for a n...umber of the airlines this morning stressed that they have not yet seen the report and could not comment. However, a number expressed deep concern that a complete deregulation in one sweeping move could cause disruption in services.

...: U.S. Federal Aviation ...inistration has ordered the ...number of U.S. airlines ...g allegedly uncertified ...s in their Boeing 737s to ...ace them, saying that three ...of the 23 suspect parts ...d cause crashes, our ...hington Staff write. Very ...of the country's 190 Boeing 737 aircraft are affected by ...ruling.

...razil resists U.S. move

DAVID WHITE

RIO DE JANEIRO, Feb. 24.

...BRAZILIAN Government ...ated that it is not prepared ...cuss any change in its nuclear equipment and ...ology agreements with West ...ny in talks due next week ...Mr. Warren Christopher, ...Secretary for Energy ...at the U.S. State Depart...

...a sourly-worded note an...ing Mr. Christopher's visit ...asilia on March 1, the ...an Foreign Ministry ..."the intention of the ...as the Brazilian Government understands it, is to dis... the new administration's ...on the problem of nuclear ...oliferation. The Brazilian ...ment does not flinch from ...ng the global aspects of ...roliferation of nuclear ... The position of Brazil on ... well-defined and absolutely clear."

...he face of recent U.S. ...aimed at rescinding part ...nuclear deal—the transfer ...hnology for enriching and ...cessing nuclear fuel—the ...ans have insisted that the ...ment is the sole concern ...mselves and the Germans, ...parties to the agreement ...that the safeguards in... in it are adequate for ...ting the German techno... being used to produce nuc... weapons.

...Antonio Azeredo da ...a, the Brazilian Foreign ...er, said earlier this week that if the U.S. succeeded in blocking the agreement, Brazil would go it alone with its own technology. He added that, in that case, any chance of international control would disappear with the agreement. This proposition was described yesterday by Sr. Jose Goldemberg, chairman of the Brazilian Physics Society, as "perfectly feasible."

The Minister's statement followed the visit of Mr. Max van der Stoel, the Dutch Foreign Minister, who is also seeking more stringent safeguards in anticipation of a nuclear fuel contract for the first two reactors due to be built under the Brazil-German deal. The fuel contract involves Urenco, in which British Nuclear Fuels has a one-third share, with Holland and West Germany. The installation of enrichment facilities in Brazil is scheduled for a later stage of the nuclear programme.

Adrian Dicks adds from Bonn: For the time being, as a gesture towards the Carter Administration's concern about proliferation of nuclear weapons, West Germany is apparently delaying an important item in the agreement by with-holding export permission for the detailed plans of a pilot nuclear fuel reprocessing plant. The West German contractors are reported to be under pressure from Brazil to fulfil this aspect fo the treaty on schedule. The plans should be delivered this month.

...Ieany-Carter pact claim

DAVID BELL

WASHINGTON, Feb. 24.

...s to Mr. George Meany, the ...ful head of the AFL-CIO, ...claimed victory in the ...labour organisation's ...pt to persuade President ...not to press for pro...ation of wage claims or ...rises.

...y said that the labour ...had received private ...nces from the President ...he will not force organised ...to accept an anti-inflation ...amme with which it does ...agree. Earlier this week ...Meany said he would not ...rate with a pre-notification ...amme.

...AFL-CIO received some ...rt yesterday from Dr. Arthur Burns, Chairman of the Federal Reserve, who also attacked the plan, saying that it might encourage companies to raise prices soon, lest their freedom to do so later be restricted. He said this would worsen rather than improve inflationary pressures.

For all Mr. Meany's pleasure at what he regards as a significant victory, it is almost certainly too early to say that the war is over. Mr. Meany may have won one battle in it, but the President gave every sign yesterday that he still favours some kind of pre-notification on a voluntary basis and he can be expected to return to the issue very soon.

...evesque slams Trudeau's ...esperate appeal'

...Rene Levesque, Premier of ...c, told reporters the Canadian ...Minister, Mr. Pierre ...au's address to the U.S. Con... in which he stressed Canad...ian unity, distorted the ...tance of the province's in...dence movement, and ...ed "like a deperate appeal ...nglish Canada," Reuter re... from Quebec City.

...Levesque, whose separatist Quebecois won the provin... election last November, ...ed particularly to Mr. ...au's reference to a "small ...ity" of the Quebec popula... favouring independence—"not a small minority, it's a ...ng movement," he said. ...re leaving Washington, Mr. Trudeau told reporters he felt Quebec independence would have consequences for the U.S. "much more grave than the Cuban missile crisis" but, despite President Carter's keen interest in Canadian unity, the Carter Administration is "choosing the proper restraint of not interfering in our internal affairs," he added.

Oil companies bill

Senator Birch Bayh (Dem. Indiana) has re-introduced a bill to split large oil companies into separate entities dealing with production, transport, refining and marketing, which would affect 18 major firms, Reuter reports from Washington.

Hugh O'Shaughnessy reports on the dangerous border tension between Chile and Peru

Threat of a border war nobody could afford

A LOT of people are trying to cool what has been growing into a dangerously hot and explosive situation along the Pacific coast of South America.

Diplomatic spokesmen in Lima are protesting that nothing could be farther from the minds of the Peruvian military Government than to make war in Chile. Chilean spokesman have been saying similar things about their attitudes to Peru. General Hugo Banzer, the Bolivian president, has declared his desire for "active neutrality" if hostilities did, by some mischance, break out.

Not least important, Washington appears to have been trying to cool fevered brows. The State Department announced earlier this month that it would not allow Israel to sell Kfir multi-role combat aircraft to Ecuador. The Mach 2.3 Kfir uses General Electric engines, so the U.S. can veto sales of the Israeli aircraft. It can be no coincidence that Paraguay, whose Government would be loth to offend Washington excessively, has this month cancelled an order for Israeli Arava military transport aircraft. Though Paraguay is a long way from the Pacific, its actions could have a bearing on the tensions among the countries of the Pacific.

The origins of the tension are to be found in the War of the Pacific 98 years ago. In 1879 Chile marched northwards across its established boundaries into the Atacama Desert, a mineral rich strip between the Andes and the Ocean. In doing so it conquered first a piece of coastline which had been under the somewhat erratic control of Bolivia, and which gave that country its only access to the sea. Marching farther north the Chileans then overran a strip of coastline then belonging to Peru. In a succession of truces and treaties the two defeated countries had to acknowledge the right of Chilean arms. Under the definitive treaty of 1929 between Chile and Peru the Peruvians did retain some rights over the port of Arica which otherwise went to Chile and were given the right to veto any cession by Chile to other countries of former Peruvian territories.

If hostilities did break out between Chile and Peru, there might be a danger of the conflict escalating.

The settlement of the War of the Pacific set up two areas of irritation. It established a grievance, which successive governments in Bolivia have nursed: that Bolivian development had been fatally set back through the loss of access to the sea, and the consequent need for Bolivian foreign trade to pass through foreign ports in transit between destinations.

Year after year Governments in La Paz have sought improved access to the Pacific through a port of Bolivian sovereignty, and the more unscrupulous of these governments have attempted to distract attention from their own shortcomings by distracting public opinion towards the question of the salida al mar.

The settlement also set up resentments in Peru, particularly among some sections of the military who feel that Peruvian honour will not be satisfied until the lost territories are recovered. Peruvian susceptibilities are becoming all the more delicate as the centenary of the war approaches.

The key to the present state of tension is to be found in the efforts of Bolivia and Chile to settle their part of the problem. In 1975 General Banzer and the Chilean President, General Augusto Pinochet, met at Charaña on the border between their two countries to talk about the difficulties. It was the first high-level contact for nearly 13 years, since Bolivia had broken off diplomatic relations with Chile in a dispute over the use of the waters of a river which flows from Chile into Bolivia. The Charaña meeting paved the way for an offer by Chile to Bolivia to exchange a corridor of territory on the Chilean side of the Peru-Chile border between the Bolivia-Chile frontier and ocean for a similar area of land to be ceded by Bolivia to Chile.

The idea was effectively vetoed by Peru on the ground that Chile could not give away to Bolivia what was former Peruvian territory. Peru made a counter-proposal which involved Chile ceding to Peru and Bolivia rights over land in the border area. That was rejected by the Chilean junta.

During the final months of last year both Peru and Chile started concentrating troops on their common border, and the Bolivians were afraid that their territory would be used by either of the contestants who wanted to outflank the other. Those who suspected Chile of planning a pre-emptive strike against Peru pointed to the fact that the standing of General Pinochet had been severely damaged by the financial scandals in which the junta and its supporters were implicated in December and January, and that there was a distinct possibility that he would attempt to distract the attentions of the passionately nationalistic Chileans by trying to unite them against the Peruvian bogy.

Then, at the end of last month, Admiral José Toribio Merino, the naval member of the Chilean junta, spoke in very bellicose terms. "Only war will destroy Communist expansionism," he remarked in an interview with the Santiago weekly Ercilla. Though the Peruvian military government is becoming increasingly conservative and could by no stretch of the imagination be called Communist, it has bought Soviet arms. So Admiral Merino's remarks were carefully studied in Lima.

Those who suspect the Peruvians of wanting to fire the first shot point to the reported increase of unrest among some officers as the centenary of the Pacific War approaches; the decision, severely criticised by U.S. officials, to buy Soviet Sukhoi multi-role aircraft for the Peruvian air force; and the feeling among some Peruvians that there could be no better moment to take the initiative against the Chileans than when the policies of the junta there have alienated much international opinion and the Chilean military are finding it increasingly difficult to buy arms.

The possibility of real hostilities was never closer than last month when rumours in La Paz spoke of a new Chilean initiative to satisfy the Bolivians. It consisted of the Chileans leasing rather than ceding the frontier corridor to Bolivia, a device that would get around the Peruvian veto built into the 1929 treaty. The Peruvian side, however, made it clear that such a violation of the spirit of the treaty could well be the casus belli. The rumoured Chilean move was not in the event made.

If hostilities did break out there are those who feel there would be a danger of the fighting escalating.

The ripples could extend alarmingly if the worst were to happen. But the optimists who believe hostilities will be avoided point to one positive feature among all the speculation. None of the possible combatants can really afford a war.

OVERSEAS NEWS

Israel Labour Party moves weakened towards election

BY RICHARD JOHNS, MIDDLE EAST EDITOR TEL AVIV, Feb. 24.

THE ISRAELI Labour Party will face the coming general election (scheduled for May 17) as divided as ever, and further weakened by last night's hotly-contested leadership struggle in which Mr. Yitzhak Rabin emerged with a slender, unconvincing majority over Mr. Shimon Peres.

The narrow 1.3 per cent. margin achieved by the Premier of the out-going minority caretaker administration over his Defence Minister leaves unresolved the leadership crisis which has eroded confidence in the ruling party over the past 18 months.

To-day, relief on the Labour Left-wing that the Defence Minister, Mr. Peres, had been defeated was tempered by the consideration that Mr. Rabin, who is certainly no dove, may feel forced to take an even harder line on the crucial issues of territory and Jewish settlement in Arab land occupied by Israel, if only to bolster his position.

The indecisive result of the leadership battle must, at the very least, complicate the task of the U.S. in its present search for a new settlement in the Middle East.

One possible outcome of a general election in which Labour loses seats is that Mr. Rabin may have to invite back into the coalition the right-wing National Religious Party (NRP), which is adamant that Israel has a right to the occupied West Bank. The NRP quit the Government earlier this year, when its two Ministers resigned, and it was this which precipitated the present crisis and Mr. Rabin's call for an early general election.

The main opposition leaders are in no doubt that the split greatly improves their chances in the general election. Although in all political quarters there is a continued reluctance to examine basic options, the result of the poll inevitably will be of critical importance in conditioning the Israeli response to growing Arab pressure for a peace agreement, and to renewed U.S. attempts to preside over one.

Mr. Rabin polled 1,445 of valid votes cast, and Mr. Peres 1,404. Thus there was a majority of 41 for the first time elected party delegates participated in the election, in addition to the 600-member central committee which chose Mr. Rabin in 1974 by 298 votes to 254.

Mr. Rabin was heavily supported by the Labour Party establishment, not least by Mrs. Golda Meir, the former Prime Minister. Surprisingly, their influence, which was diminished by the October war of 1973, seems to have been unaffected by recent corruption scandals involving people in the party hierarchy to which Mr. Peres does not belong.

Syria hits at oil price rise

BY ANTHONY McDERMOTT

THE CONTROVERSY over two different oil price systems within the Organisation of Petroleum-Exporting Countries (OPEC) has been taken up by Syria, Jordan, and Egypt—the front line Arab states—which say that military capacity to confront Israel has been damaged.

Sheikh Ahmed Zaki Yamani, Saudi Arabian Oil Minister, in an interview yesterday with al-Ittihad, the semi-official daily of Abu Dhabi, which he has just visited, was unrepentant about his country's refusal to make more than a 5 per cent. increase.

The front-line states are caught between wanting the oil producers to maximise their revenues, so that they can provide more aid, and fearing the effects of inflation generated by higher oil prices. Damascus Radio yesterday said that oil price increases placed heavy *burdens on developing countries*, particularly the front-line states. It said that these increases had damaged the defence potentials of Arab states after the 1973 Arab-Israeli war, and called for the question of oil prices to be raised at the summit conference to be held in Cairo at the end of the first week of March.

Tanzania denies Amin invasion claim

NAIROBI, Feb. 24.

UGANDA said to-day that Tanzanian "invading forces" were assembled just six miles from the Uganda border but a Tanzanian spokesman flatly denied the claim and said: "It's absolute balderdash just one other dream."

Uganda Radio quoted a military spokesman as saying the Ugandan Air Force and marines would "strike deep if the reported invading forces from Tanzania attempt to enter Ugandan territory even by an inch.

Ugandan Foreign Minister Lt.-Col. Juma Oris has warned fellow African ministers meeting in Lomé, Togo, of possible conflict with some of his country's neighbours "that may be of incalculable consequences." Uganda Radio reported to-day, quoting him as having delivered the warning at the meeting of the council of ministers of the Organisation of African Unity (OAU).

The Minister charged that a "sinister plot" had been hatched "to bring down the government (of Uganda) at a very high cost in lives and property," the radio said, reporting him as saying that the plotters were based in "a neighbouring African state."

UN Secretary-General Kurt Waldheim to-day pressed Uganda for the second time in 24 hours to agree to an international investigation into the deaths last week of Archbishop Luwum and two cabinet ministers. The request was reiterated at Dr. Waldheim's second meeting in two days with the Ugandan representative at the UN.

Agencies.

Indonesian campaign

Campaigning for the Indonesian general elections, due on May 2, began officially yesterday with victory for the Government's Golkar movement almost assured, writes our Jakarta correspondent. It was marked by injunctions from Government leaders against the use of force, as reports continue from the provinces of military and civilian officials coercing villagers to support Golkar.

New Burma clashes

Two of Burma's main insurgent groups have recently been badly mauled by Government troops in renewed fighting in the frontier region with China and with Thailand, writes our Rangoon correspondent.

A group belonging to the pro-Peking Burma Communist Party, and one belonging to the Karen National Unity Party, are reported to have suffered heavy casualties in clashes with troops earlier this month.

Algerian poll

Algerians go to the polls to-day to elect their first Parliament for 12 years in the latest measure by *President Houari Boumedienne* to give constitutional legitimacy to political institutions, Reuter reports from Algiers. The President has ruled by decree since an army coup put him in power in June, 1965, at the head of a revolutionary council.

Kim Il Sung may hand over to son

By Douglas Ramsey

TOKYO, Feb. 24.

NORTH KOREA watchers in Tokyo do not rule out the possibility that President Kim Il Sung may be preparing to step down from his official functions in favour of his 36-year-old son, Kim Chong Il.

A report from Pyongyang was recently circulated to members of Chungryun, a pro-North association of Koreans living in Japan, in which the younger Kim is described as the only possible successor to his father, according to the Kyodo News Agency which this week obtained a copy of the report. The report also urges Korean expatriates in Japan to pay the younger Kim "high respect, accept his authority and carry out his instructions unconditionally."

Sources inside Chungryun also said Kim Chong Il was recently recommended as North Korea's next President by the Political Committee of the Korean Workers (Communist) Party, Kyodo reported.

Former army commander joins Pakistan opposition

BY IQBAL MIRZA KARACHI, Feb 24.

MAJ.-GEN. A. A. K. Niazi, Commander of the Eastern Zone when Pakistani troops there surrendered during the 1971 India-Pakistan war, has joined the opposition to Prime Minister Zulfikar Ali Bhutto ten days before the general election.

Speaking at an opposition rally in Dera Ismail Khan, he said that the separation of East Pakistan (now Bangladesh) from the West, and the surrender of troops, were forced "under a cleverly hatched plan. We did not lose the battle but were made to accept the defeat," he said. "The tearing up of the Polish resolution in the UN General Assembly—which had the support of 104 countries, demanding a cease-fire in Pakistan, the release of Sheik Mujibur Rahman and Indian prisoners of war unconditionally by Pakistan and the return of fertile areas to India—was part of the same plan," he said.

After the surrender Gen. Niazi was taken prisoner and held for two years, along with other Pakistani troops, before being returned to Pakistan and released from the army. During these two years, the Pakistani Government made no effort to secure the release of Pakistani PoWs in Indian camps, he told the rally. "India herself sent us back, considering us useless."

General Niazi said the Pakistani army advised the Government to try for a political settlement, but the advice was not taken.

David Housego, Asia Correspondent, adds: The importance of Gen. Niazi's remarks is the implication that Mr. Bhutto was partly to blame for the defeat in East Pakistan, which resulted in the surrender of 90,000 Pakistani troops, together with the explicit accusation that Mr. Bhutto made no efforts to secure the release of prisoners of war.

The break-up of Pakistan and the fate of the prisoners is probably the single most emotional issue in the Punjab. The resurrection of Mr. Bhutto's role in the war and its aftermath, by the once popular, commander of the troops in the eastern wing, could be a severe blow to Mr. Bhutto's election campaign in the Punjab which has been the base of his power.

The Punjab provides the bulk of Pakistani armed forces. After the war, it was popularly felt in the province that the army was not to blame for the defeat, so Gen. Niazi's remarks will strike the former head of state, Gen. Yahya Khan who announced the surrender of the Pakistani forces. But it has never been made clear as to what part Mr. Bhutto played in the negotiations leading up to a ceasefire.

Quentin Peel, recently in Botswana, describes the spreading effects of Rhodesia's war

The high price of proximity

THE CLASH between Botswana's security forces and Rhodesia's paramilitary police last weekend, in which for the first time a white Rhodesian was killed on Botswana territory, is striking confirmation of the deterioration of relations between the two countries.

Coming as it did just when a UN mission was in the border area investigating the security situation, the incident provides considerable weight to Botswana's plea for international assistance to defend itself. The traditional non-belligerence of Sir Seretse Khama's Government, surrounded by the white-ruled states of Southern Africa, is being severely tested by the escalating guerilla war in Rhodesia. Villagers along the country's north-east border are demanding better protection against the increasingly frequent raids over the frontier.

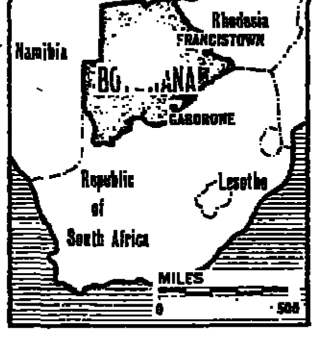
"I cannot understand this overkill by the Rhodesians," a senior Government official said in Gaborone last week, before the latest incident. "They have not yet forced us into the position of opening up another front, but it would be very difficult to resist if they keep on."

Inevitably, there is a dispute between the two countries about the extent of the guerilla presence in Botswana. The Rhodesians claim that border villagers have been providing safe bases from which small bands of guerillas can launch their attacks. The Botswana police insist that movement across the border is only one way—into Botswana. Any guerillas found among the increasing flow of refugees are disarmed and rapidly despatched to Zambia, they say—from where no doubt they rapidly return to the fray.

But however the blame is apportioned, there can be no doubt that security in Botswana is threatened. An increasing number of the little African homesteads which dot the border area east of Francistown have come under attack both from small arms and grenades: several villages have disappeared, huts have been burned and broken up, and stores looted.

Villagers have come under fire when watering their cattle in the rivers which mark the border itself and there have been several exchanges of fire between the Rhodesian security forces and the Botswana paramilitary Police Mobile Unit (PMU). A number of once-thriving settlements have been abandoned.

For the Botswana Government, the immediate and embarrassing effect has been sharp political criticism from an area which is a stronghold for opposition politicians.



But the incidents have also noticeably increased racial tension in the Francistown area, manifesting itself in an outbreak of Rhodesian spy fever.

In the long term the most serious effect is likely to be a dislocation of the country's extremely slender resources. It is for some assistance here that Sir Seretse's Government is looking to the UN mission now in the country. Senior government officials have drawn up a list of costs directly attributable to the Rhodesian war, totalling conservatively rather more than Pula 65m. (£43m.).

The most obvious cost is that of roughly doubling the PMU from its present size of about 450 men, improving its equipment, and providing more intensive training. To do so, entrance qualifications for the police have had to be lowered. According to Police Commissioner Simon Hirschfeld, "We want people who can shoot, not write statements." The cost of the project is put at Pula 25m. (£16.6m.) over three years.

With the flow of refugees in the past year put at between 10,000 and 14,000, and recently running at several hundred per week (including not only schoolchildren recruited to fight for the nationalist guerillas, but also their parents fleeing alleged harassment by the Rhodesian security forces), the Botswana authorities believe they will have to build more refugee camps, at a cost of between Pula 4m. and Pula 5m. (£2.7m. to £3.3m.). A camp at Francistown has been acting simply as a transit stop for refugees flown on to Zambia, but when it was visited by the UN mission at *the week-end*, it had already built up to more than 900 occupants, as the flow has exceeded the capacity of transport out of the country.

The other direct consequence of the guerilla war is the added danger of an outbreak of foot and mouth disease within the Rhodesian operational area. Botswana officials believe that Rhodesian vets are no longer able to control the disease, and that a disease which has always been endemic there could turn into an epidemic, with disastrous consequences for the Botswana cattle industry.

Their proposal is to build a veterinary fence along the border, and, where it prevents villagers from watering their cattle in the border river, to provide alternative watering points at an estimated cost of Pula 1.8m. (£1m.).

What makes the entire Botswana economy ultimately dependent on Rhodesia is its railway line—still wholly owned and operated by Rhodesian Railways. As well as carrying virtually all the country's exports, it is the single most important means of internal communication. Sir Seretse has long declared his intention to nationalise the line and his desire to cut the penultimate Rhodesian railway link with the outside world (leaving only the direct line to South Africa via Beit Bridge open for Rhodesian trade). He has also insisted that such a move would be catastrophic for Botswana at present, while not proving so disastrous for Rhodesia.

Botswana officials are working on the assumption that they may be forced to take over the railway line, not in order to close the border, but because guerilla activity or shortage of skilled labour may force the Rhodesians to abandon it. In those circumstances they would be unable to run it at present capacity, but would have to restrict its use to traffic with economic priority.

Initial estimates by Canadian consultants suggested that the cost of taking over the line would be in the order of £44m., including rolling stock, storage facilities and other equipment, but excluding the cost of employing trained expatriate railwaymen.

However, a new team of consultants is working towards a total projected budget of some Pula15m. (£10m.) for a reduced service, which would make an enforced takeover more feasible. Given substantial international aid, Government officials believe that they could run a skeleton service within six months. But they show no desire to do so unilaterally, since that might bring retaliation from South Africa.

If the rail system were to break down, Botswana would also require greatly expanded storage facilities, largely for fuel, costing an estimated Pula7m. (£3.7m.), and an accelerated road programme, including tarring the newly-completed gravel road to Zambia, at a cost of another Pula15m. (£10m.).

To all the calculable economic costs one must add the loss of investment momentum in the country, both from internal and international sources, because of political uncertainty affecting the whole of Southern Africa. Botswana has had a remarkable economic record since independence, with growth rates of up to 15 per cent. per annum, because it has been seen as a haven of relative sanity and stability, but there are signs of waning confidence.

The effect of a progressively escalating guerilla war along its borders could be serious. One aid-financed road project in the area is already being called off. If resources on the scale estimated by the Government had to be diverted to security projects without international assistance, the country's peacetime development plans might as well be scrapped.

WORLD TRADE NEWS

Japan's shipyards to keep out of W. German market

TOKYO, Feb. 24.

JAPANESE SHIPYARDS have told their West German counterparts they will generally keep out of the West German shipbuilding market for the time being, the Japan Shipbuilders Association announced. This decision has been communicated in a joint letter from the Association, the Japan Smaller Shipbuilders' Association and the Japan Ship Exporters' Association to the West German Shipbuilding Industry Association.

However, the association said the decision to keep out of the West German market involves some exceptions, including ships for registration in other countries, ships to be built under an optional clause of previous contracts and ships substituted for cancellations.

The Association said it is comparing notes with the West German Shipbuilding Industry Association on how many ships were ordered by West German owners with Japanese yards last year. Statistics compiled by the West German Association show that the number was 106, probably including ships for registration in other countries, but the Japanese Association said its survey showed it was 32.

The ships include many small vessels of less than 2,500 tons, the Association said.

Japanese shipbuilders have also been instructed to raise their prices for all vessels built for export by at least 5 per cent. on last year's prices by Japan's Transport Ministry. The official instruction follows a Japanese undertaking to the recent Paris meeting of the OECD to work towards reducing its share of the world shipbuilding market to 50 per cent. or less.

In Bonn the West German Government and shipbuilding industry have welcomed the Japanese proposals. Spokesmen for the Economics Ministry and the Shipbuilders' Association both described the Japanese decisions as a move in the right direction which had to be followed by further steps.

The association said Japan had deeply penetrated the West German market by offering prices up to 40 per cent. below those of German shipbuilders. Reuter

EEC technology revival

BY DAVID FISHLOCK, SCIENCE EDITOR

A CALL for the EEC countries to revive the idea of a European technological community, as "part of our answer to the present economic crises," was made by Mr. George Thomson, speaking to engineers in London last night.

Mr. Thomson, a member of the EEC Commission until last year, said that one of the basic challenges to the Commission was to give a new impetus to the EEC's industrial policy and create a healthier balance between this and its external trading policy.

Delivering the James Clayton lecture to the Institution of Mechanical Engineers on "British engineering in the Common Market," Mr. Thomson said that, in the case of the British aircraft industry, both management and unions favoured a policy of European aircraft companies negotiating with U.S. industry as a single body. He quoted Boeing, in evidence to the U.S. Congress, saying that European aircraft technology was as advanced as that of the U.S., and that it had the potential to reduce the U.S. share of the world market to 35 per cent. over the next 10 years.

At present, the U.S. had 80 per cent. of the world market for civil aircraft, and Europe "a mere 8 per cent." At stake were 400,000 jobs in Europe and "the future of a high-technology industry of vital importance to the economy as a whole and essential to our defence." Even Boeing, with 60 per cent. of the world market today, would need public support, either from the U.S. Government or from European government, in order to launch a new civil aircraft.

The Community Britain had thought it was joining—one of steady growth, full employment and gradually converging economies—had changed its character in 1973, under pressure of global economic forces. But this had not changed, indeed it had strengthened the case for British entry, he said. It had demonstrated the folly, "one of democracy's weaknesses," of seeking to determine historic long-term issues on the basis of the short-term political polemic.

E. Europe cuts back on imports

BY GUY HAWTIN FRANKFURT, Feb. 24.

THE East Europeans—apparently spurred by rapidly mounting debts in the West—last year severely trimmed the growth of their imports from West Germany.

As a result, the Federal Republic's exports to the area fell back by 1.2 per cent. from DM15.9bn. to DM15.7bn. (£3.85bn.).

At the same time West Germany's purchases in Eastern Europe grew by a massive 27.6 per cent. from DM7.97bn. to DM10.17bn. (£2.49bn.). Although this slashed East Europe's trade deficit with the Federal Republic by 30 per cent., it still stood at a hefty DM5.54bn. (£1.36bn.).

West Germany's trade turnover with the centrally planned economy countries, including China, rose by 9 per cent. from 1975's DM26.07bn. to DM28.4bn. (£6.96bn.). This compares with a 17.7 per cent. 1976 growth in the Federal Republic's total foreign trade turnover.

The slower growth led to a fall in the country's trade with the Communist countries as a proportion of total foreign trade—from 1975's 6.4 per cent. to 5.9 per cent. However, imports from the grouping as a proportion of total West German imports went up from the previous year's 4.7 per cent to 5 per cent., while exports to the centrally planned economies, as a proportion of total exports, fell from 7.9 per cent. to 6.8 per cent.

Figures issued by the Federal Economics Ministry show that largely because of the heavy fall in sales to Eastern Europe, West Germany's exports to the centrally planned economies rose by only 0.1 per cent. last year to DM17.42bn.

Imports, however, rose by 26.8 per cent. to DM10.98bn., while the deficit in West Germany's favour fell back by an average 26 per cent. from DM8.76bn. to DM6.44bn.

Russia warns on raw materials

BY DAVID SATTER MOSCOW, Feb. 24.

THE SOVIET journal Foreign Trade has forecast that price increases for raw materials are inevitable if there are not to be shortages and called for a more "equitable relationship" between the cost of raw materials and those of finished goods.

Apparently de-emphasising the Soviet Union's traditional desire to increase its exports of manufactured goods, the authoritative article in the February issue of the journal said that the Soviet Union is the world's largest exporter of raw materials and that price "is the most important (although not the only) factor keeping trading in raw materials in deficit."

In what observers see as a rationale for price increases already reportedly demanded by the Soviet Union from their East European trading partners, and for possible future raw material price increases in trade with the West, the journal says that the development of new deposits in Siberia and the Far East ensures that the Soviet Union will not face raw material shortages itself and will be able to expand raw material exports, including export to Western Europe and countries around the Pacific Ocean.

The journal said, however, that the success of Soviet raw material exports depends on the elimination of "negative features" in the present structure of foreign trade.

These were "the continuing economically unjustifiable discrepancy between prices for raw materials and finished goods," and a further worsening of ecological conditions for mineral extraction in new areas which necessitate heavy capital investment in the long period before the investment can be realised.

Soviet raw material exports during 1975 had a total value of R19.4bn. (£15bn.) or more than 80 per cent. of the value of total exports. Exports of finished manufactured goods had a value of just under R4.5bn.

Soviet raw material exports more than doubled during the 1971-75 Five Year Plan. The total value of Soviet raw material exports in 1971 was R9.7bn.

Rise in U.K. investments overseas

Financial Times Reporter

THE BOOK value of U.K. net direct investments overseas, excluding oil, banking and insurance, amounted to about £10.1bn. at the end of 1974, while that of corresponding foreign direct investments in the U.K. totalled about £6.6bn. at the same date.

These are the overall results of an inquiry into the book values of overseas net direct investments at the end of 1974 which brings up to date the previous estimates based on inquiries at the end of 1962, 1965, 1968 and 1971, carried out by the Departments of Trade and Industry.

The book value of outward investment increased by just over a half between 1971 and 1974, compared with a rise of about a fifth between 1968 and 1971. The larger rise between 1971 and 1974 than in previous periods reflected in part the depreciation of sterling during the period and to some extent the higher rates of inflation which may have caused some assets to be revalued upward.

The major area of expansion was Western Europe, where the book value of investments almost doubled. Within Western Europe investments in EFTA countries more than doubled, while those in EEC countries, including Denmark and the Irish Republic, rose by nearly 85 per cent.

As a proportion of total outward investment, the value of investments in Western Europe increased from just over one fifth in 1971 to over a quarter in 1974. Investments in North America, at 22 per cent. of the total, and other developed countries, at about 30 per cent. of the total, accounted for much the same proportions of the total in 1974 as in 1971.

The book value of inward investment increased by nearly three-quarters between 1971 and 1974 compared with a rise of about two-fifths between 1968 and 1971.

Although the faster rate of growth between 1971 and 1974 than in earlier periods largely reflected a real growth in inward investment, some part of the rise reflected upward revisions to the values of existing assets, which may have been due to the higher rate of inflation in the U.K. in the period 1971-74 than that in earlier periods.

The main areas of growth were investments from Western Europe, Asia and the Caribbean and Southern America. Within Western Europe investment from other EEC countries more than doubled in value. Investment from the U.S., which at the end of 1971 accounted for 64 per cent. of the value of total inward investment did not grow as fast as that from other areas and at the end of 1974 accounted for only 56 per cent. of the total value.

Some two-thirds of outward investment at the end of 1974 was in manufacturing industry, predominantly in the food, drink, tobacco and chemical industries, which together accounted for 4[illegible] per cent. of investment in manufacturing industry. Mechanical and electrical engineering taken together accounted for a further [illegible] per cent. Among non-manufacturing industries, distributive accounted for 41 per cent. of the total and the next largest, mining and quarrying, for 16 per cent.

Of all industries, both manufacturing and non-manufacturing, the largest total investment was in distribution, which accounted for 17 per cent. of the total. The split between manufacturing and non-manufacturing industries varied considerably from one area to another, manufacturing industry being predominant in developed countries and non-manufacturing in developing areas, particularly Africa and Asia.

TRANSFERABLE ROUBLES

Soviet optimism for the future

The Moscow-based International Bank for Economic Co-operation (IBEC), which handles Comecon finances, has just failed to raise a $200m. loan in London because its legal status is not clear. It has also adopted new rules to encourage the West to use the transferable rouble, the Comecon unit of account. DAVID LASCELLES describes the bank's activities and policies.

IBEC was established in Moscow 13 years ago, mainly to help finance Comecon members' trade on the basis of transferable roubles (TR), the grouping's unit of account. But according to figures supplied by the bank, its convertible currency operations are growing fast, bank officials even say "spectacularly."

Half of the bank's paid-up capital is in hard currency (the rest is in TRs); the bank has also developed a special department to deal in these currencies.

In the past five years hard currency dealings trebled to reach 63.1bn. TRs; (at the official rouble-dollar exchange rate this is equivalent to $84bn., a large figure by any standards).

This money is used partly to finance Comecon's trade with the West where it now runs a chronic deficit. But a part also finances intra-Comecon trade. This is because TRs were mainly designed to cover exchanges set by official trade agreements. Many deliveries over and above, especially if they are valuable commodities like fuel, food, or high quality manufactures, are calculated in dollars, and must be settled in hard cash.

The volume of this trade appears to be growing, particularly since the Russians have set firm limits on how much oil they will export for TRs. The cost of the short- or medium-term credit IBEC makes available to finance this trade is set according to rates prevailing on world markets.

IBEC also accepts hard currency deposits. This side of its operations has also been growing fast, by 16 per cent. in 1974 and 30 per cent. in 1975. This has enabled the bank to make placements, whose volume rose some 22 per cent. in 1975.

Just who benefits from these placements is determined to some extent, the bank admits, by political considerations. Some go to other banks in Comecon, but a volume also goes outside. Recent beneficiaries include the the African Development Bank, Banque Nationale d'Algerie and the Banque Exterieure d'Algerie.

IBEC's borrowing on western markets is, by contrast, dictated by market conditions alone. Although the bank's legal status is currently being examined in London, IBEC is by no means unknown in Western financial markets, having already raised over $200m. in publicised credits.

The bank stresses that it is not under pressure when it seeks a loan. Unlike other aspects of Comecon economic policy-making, it does not plan its borrowing activities, but it can time a loan to take advantage of good market conditions.

And though IBEC's loans so far have all been in dollars, it is open to other currencies like DM. However its officials rule out the possibility of a Eurobond issue. The bank also says it has no set ideas on who should manage its loans. It corresponds with most major western banks, and can therefore pick and choose; but it also welcomes approaches by other banks.

Alongside its hard currency operations, IBEC has also been charged with the task of encouraging non-Comecon members to use the TR. At its meeting last October the bank's council made four pertinent changes to the rules:

1. It is no longer obligatory, though still "advisable" for organisations using TRs to plan in advance how accounts are to be settled. This makes it easier for market economies to use a financial mechanism that was tailored to planned economies.

2. IBEC can now advance credit to cover 100 per cent. of agreed payments.

3. IBEC can now advance medium-term credit, instead of revolving credit, for periods up to three years.

4. The borrower can repay his TR credit in convertible currency at any time. But he can not cash his TR holdings for hard currency.

It is still too early to say for sure how these measures will affect East-West financial relations. IBEC admits that no trade deal has yet been negotiated in TRs. But it points out that one of the TR's advantages is that it is quite cheap. Interest rates are only 3-5 per cent. on term credit, reflecting the comparative stability of Comecon markets.

Too many teach, but graduates n short supply

' MICHAEL DIXON, EDUCATION CORRESPONDENT

(E ARE far too many non- ate teachers in secondary ls, says a report released e Department of Education Science yesterday.

ording to the heads of , 500 schools surveyed by ES last year, the surplus of aduates is outweighted by rtage of graduate staff.

survey — discussed by dvisory Committee on the y and Training of Teachers meeting with the depart- in London — showed that on-graduate surplus had sed from 760 in 1974 to last year, while the ite shortage tightened from o 6,828.

mis-match between the of teachers employed and which the secondary school think they need, is com- d by discrepancies in ilar subjects.

ite the overall surplus of duates there are still not of them quipped to give al lessons to backward n, or to teach business and handicrafts.

ie economics

shortfall has worsened in mathematics, physics, ring, remedial teaching, isic, and, to a lesser de- in chemistry and home ics.

ugh there is still a short- graduates in English, with German, general handicrafts, and geo- the supply position in ibjects improved between nd 1976.

e same time, prospects of correcting the mis-match iminished by a growing ice among teachers to their jobs. In 1975, there x teaching posts vacant ry 10 secondary schools 1. Last year only one n three had a vacancy.

The quality of the teaching force also came under criticism yesterday from the Liberal Party and the Government-sponsored Training Services Agency.

Because unsatisfactory teachers enjoyed such strong security in their jobs, the Liberals' education advisory panel declared in a briefing paper, great damage was being done to children's education.

Powers were needed to dismiss or transfer teachers who were unsuited to their posts, the panel added, and the heads of schools should be on ten-year contracts.

Dr. R. M. Johnson, director of training of the Training Services Agency, concentrated his criticism on the academic bias of the teaching profession.

He told a meeting of the Association of Colleges for Further and Higher Education in London that youngsters who lacked academic ability often possessed other skills which could and should be developed.

At the same meeting, Mrs. Shirley Williams, Secretary for Education and Science, criticised industrialists for being imprecise about their expectations from the education system.

"Employers need to look more closely at what they need from school-leavers, and inform the schools and colleges about it," she said.

In Bradford, students demonstrating against State spending cuts forced their way into the second of the Government's regional conferences on educational reform. The demonstrators complained that the audience of 250 selected people included only one student representative.

But Mr. Gordon Oakes, the Minister of State for Education who was chairman denied the students' accusations that the conference was a farce and a confidence trick.

Oil price increases may be delayed

By Ray Dafter, Energy Correspondent

Several oil companies are holding back from submitting new price rise applications because of the depressed state of the oil products market.

Groundwork for a new round of applications has been prepared by most of the major oil companies. They believe they can justify higher prices partly on the basis that past cost increases have not yet been fully absorbed. The impact of the January 1 OPEC crude oil price rise is also beginning to be felt.

However, the industry questions whether the market will at this stage absorb another increase, particularly after the series of price adjustments last year. Companies are aware that the petrol sector is still the seat of widespread price-cutting, a situation likely to persist with refineries operating well below capacity.

Government energy statistics, published yesterday, show that for the third consecutive year, UK consumption of oil fell below previous levels in 1976. In terms of coal equivalent, oil use fell by 2.5m. tons, leaving it with the lowest share of total energy consumption since 1967.

Deliveries

Total inland deliveries of petroleum products were about 2 per cent. down on 1975 levels although sales of naptha rose by 5 per cent. and transport fuels by between 3 and 4.5 per cent.

Crude oil imports during the year were 1 per cent. down on 1975 although, at £4.6bn., cost almost one third more.

Total inland energy consumption last year, on a primary fuel input basis, was nearly 325m. tons of coal equivalent, about 5 mtce, or 1.5 per cent. higher than in 1975 but still 23 mtce below the 1973 peak.

Deep mined coal production was 7m. tons lower than the previous year—a drop of over 6 per cent. On the other hand opencast output rose by 1.5m. tons—about 15 per cent.

The average output-per-man-shift during 1976, at 43.8 cwt., was lower than at any time since 1969, with the exception of the strike-hit years of 1972 and 1974.

Total supplies of gas rose to nearly 14.5m. therms, 4.5 per cent. more than in 1975 while there was an increase of over 1 per cent. in the amount of electricity supplied. A change in the pattern of fuel used in electricity generation, with oil use dropping and the coal burn rising, resulted in a further improvement in thermal efficiency. Total fuel use at power stations last year was slightly lower than in 1975.

wan 'fighting hard r new orders'

UR SOUTH SHIELDS CORRESPONDENT

HUNTER is fighting hard new orders for its Tyne ding yards, Mr. John deputy chairman of the im, gave this assurance ti as the Readhead yard h Shields proposed to is last ship.

200 tonne cargo carrier ty is being launched th ? for the Everard ut so far there is no ollow it into the berth. ave been rumours that l will close after the ty is completed in about nths.

ele dismissed such sug- however. "We have tion of shutting Read- f creating redundancy." ire going all out for more orders, which it is hoped will mean more work for the yard."

Over the past 15 months the Readhead workforce has been reduced by about two-thirds from 600 to 200 as work has run down.

Swan Hunter has no other ship in hand for any of its Tyne yards at present. It is bidding with Sunderland Shipbuilders for a 19 ship order from Nigeria.

It also hopes to share in the deal being set up by the Government for 22 cargo carriers to be built for Poland in U.K. yards.

It is fighting for other work, too, and Mr. Steele said a lot more inquiries for new ships were coming through.

"Ship owners appear to be taking a new interest, and our estimating and design teams are working flat out."

Tourism 'worth £2.5bn. in 1977'

Financial Times Reporter

OVERSEAS visitors will contribute £2.55bn. to Britain's balance of payments this year, Lord Redmayne, chairman of the North American Advisory Group of the British Overseas Trade Board, said in London yesterday.

The estimate, made by the British Tourist Authority, included the fares paid to British air and shipping lines for travel to and from this country, he told the annual seminar of the Hotel Industry Marketing Group at the Wembley conference centre.

Travel in and out of Britain was expected to account for £550m. Shopping would be worth another £800m.

itors back secrets call

; YESTERDAY sup- call by the National of Journalists for the ent to repeal the sec- he Official Secrets Act uch the journalists Mr. Campbell and Mr. Cris- ey have been charged. en Morgan, general of the National Union alists, on Wednesday ress organisations to seeking the repeal of "edited" Section Two of escent Act" and its re- t by legislation tailored to the real protection of national interest.

Yesterday, Mr. Keith Whetstone, president of the Guild of British Newspaper Editors and editor of the Coventry Evening Telegraph, said he had no doubt that editors throughout Britain were watching the situation closely.

They could not comment on the cases of the two journalists arrested under the Act. The facts were not known. But the "umbrella effect" and the uncertainty of Section 2 were disturbing.

mp sum security benefits proposed

JART ALEXANDER

IE to give a lump sum on security benefits on erly, six-monthly or sis was put forward for tion yesterday by Mr. nnison, chairman of the ntary Benefits Commis-

ising that it was a f his own and not offi- . Mr. Donnison told the eeting of the Family Association that the ould be used to pur- ch items as shoes. d furnishings. its should be allowed to draw against accrued sums in their account in cases of urgent need, while those who went back into full employment should also be paid any money that had built up in the form of "forced savings" so that there was no disincentive to taking a job.

He estimated that less than 2 per cent. of claimants received more supplementary benefit than their earnings would be if they were back at work. If those people were better off out of work, it was usually because they did not claim benefits available to low-paid workers like free milk and school meals.

A review of the supplementary benefits scheme was, he said well under way but he did not expect the commission's report to be presented to the Secretary of State until about a year from now. He hoped that would allow proposals to be published for discussion in the first half of 1978.

Guidelines should be fixed, he said, to put all discretionary benefits together.

Europe air traffic growth forecast

By Michael Donne, Aerospace Correspondent

STRONG growth in passenger and cargo traffic through airports in Western Europe up to 1990 is forecast by the British Airports Authority.

In a study undertaken for the Western European Airports Association, the BAA suggests that passenger traffic will rise by 7.8 per cent. a year to 1990, and cargo traffic by 9.2 per cent. a year.

The study covering 13 airport authorities representing 22 airports in 12 countries, was undertaken in conjunction with Coopers and Lybrand Associates, of London, and the Frankfurt Airport Authority.

One major conclusion was that the continued introduction of bigger aircraft on scheduled routes will result in much slower growth in transport aircraft movements (2.2 per cent. a year).

CHANCELLOR URGED TO RESTORE INCENTIVES TO MANAGERS

CBI proposes major tax cuts

BY ADRIAN HAMILTON

THE CONFEDERATION of British Industry is urging the Chancellor to direct his Budget almost exclusively towards a major reduction in taxation at all levels.

In its budget representations, presented to Mr. Denis Healey yesterday, the CBI argues that such a move is essential to restore incentives to managers and skilled workers and to set the scene for a further year of wage restraint.

The CBI's proposals, which would cost about £2bn. in the coming financial year and around £3bn. the year after, include a number of tax reductions or reliefs to meet the problems of the "poverty trap," the reduction in real take-home pay for the middle manager and the excessive burden of tax on the higher paid.

These include:

BASIC RATE: a reduction in the rate of income-tax from 35 to 33 per cent., costing the Treasury £800m. in 1977-78 and £950m. in a full year.

ALLOWANCES: an increase in main personal allowances (other than child allowances) by 10 per cent., costing £600m. in the next financial year and £825m in a full year.

CHILDREN: an increase in child allowances by 50 per cent., costing £375m in 1977-78 and £500m a-year thereafter.

BANDS: increases in thresholds and widening bands for higher rates, including raising the threshold for starting to pay higher rate tax from £5,000 to £8,000 of taxable income.

TOP RATE: additionally, the CBI suggests a reduction in the top rate of tax on earned income from 83 to 60 per cent., phasing this reduction through the use of a temporary levy on taxable incomes over £20,000 which would be phased out over two years. Together these two proposals are costed out at £350m. in 1977-78 and £750m. in a full year.

INVESTMENTS: the CBI urges relief for those living on investment income with a proposal that investment income surcharge thresholds should be raised by £1,000 at a cost of £100m. in a full year.

These proposals, as the Confederation admit, will be costly. But it argues that the Public Sector Borrowing Requirement (PSBR) now looks like being around £1bn. short of the IMF-set limit during the next financial year and possibly more.

Over and above this, it suggests further cuts in public expenditure and/or sales of state-owned assets such as British Petroleum shares.

PROPOSED INCOME TAX RATES FOR 1977-78

GENERAL SCALE

Taxable Income (£s)	Proposed Rate percent
1 - 8,000	33
8,001 - 10,000	40
10,001 - 12,000	45
12,001 - 14,000	50
14,001 - 16,000	55
16,001 +	60

TEMPORARY LEVY

Taxable Income (£s)	Proposed Rate percent
1 - 20,000	0
20,001 - 25,000	5
25,001 - 30,000	10
30,000 +	15

While it remains committed to a long-term move from direct to indirect tax, the CBI does not feel it is the right time for increasing duties or value-added tax.

Nor does it feel, in view of the continuing need for restraint by Government, that the next Budget is the right time to introduce other reforms on the corporate tax front which it would like to see.

The thinking behind the CBI's preference for personal tax relief in the Budget is set out at some length in its written representations.

The central tenets of its argument are the overwhelming need for the country to achieve "a further reduction in the rate of inflation and the urgent requirement to restore incentives."

The economy, it believes, is beginning to move in the right direction. On unchanged policies, the volume of output should grow between the fourth quarters of 1976 and 1977 by something under 2 per cent.

"This would reflect," it says, "a relatively rapid growth of exports, and some import-substitution, especially from North Sea oil, a rise in private fixed investment and no further de-stocking."

But it warns that the real rate of return of manufacturing companies remains perilously low, that most of industry is working well below capacity and that the recovery remains dependent on "continued moderation of pay settlements."

Inflation

"If a pay agreement which holds down the rate of wage inflation cannot be agreed, or if it breaks down," the document says, "the rate of price inflation will be higher and, with a fixed limit for Domestic Credit Expansion (DCE), that would tend to lead to higher interest rates."

This would "impede much-needed industrial investment, and consumption, and result in a lower-volume of output, thereby causing a fall in employment.

"This tendency towards lower employment would be reinforced by the effects of worsening price-competitiveness in world and domestic markets."

Within the limits of Government action, the CBI accepts, the Government cannot be expected to do all that the Confederation would like.

"To increase tax allowances to compensate for inflation over the past year alone," it argues, "to reduce significantly the basic rate of income tax, to provide the additional relief so well merited by those with incomes in the range £5,000-£15,000, to lower sufficiently the top rate of income tax, to provide specific relief from the poverty trap and to bring in justified changes in company tax and, to assist smaller business, capital taxation would, we estimate, cost in 1977-78 something in the order of £5bn."

Backing its case for the Chancellor to give "first priority to reducing substantially the burden of personal income tax," it argues that there has been a trend in recent years for total receipts from income-tax to increase faster than both prices and wages.

There are now, it says, about 1.3m. people whose marginal rate of tax, ignoring national insurance contributions, is 40 per cent. or more, compared with 370,000 surtax payers in 1972-73.

This has created particular difficulties for middle and senior managers. For example, since 1969 the real take-home pay from a job at £15,000 at to-day's rates has fallen by 35 per cent.

Further, "the taxation of the low-paid, inadequately co-ordinated with social securities benefits policy, has given rise to the absurd situation of the poverty trap, where getting a pay rise or taking a better job may be penalised by a reduction in spendable income."

The CBI's proposals are designed to meet all three problems —the poverty trap, the higher paid and the middle management.

They would mean around a 5 per cent. increase in the take-home pay of a family earning £5,000-£8,000 and rather more for the higher paid. They would also increase from £28 to £33.50 a week the 1977-78 tax threshold for a family with two children under 11.

Incentive

"However," the CBI says, "to ensure that the incentive effects of a lower tax burden are not nullified, this tax change should be linked with changes in arrangements for increasing social security benefits.

"These benefits should be increased no faster than the rate of increase of average earnings within the agreed limits of pay."

On the investment income tax issue, the CBI urges a reduction of the highest rate of tax, including the temporary levy from 90 per cent. to 75 per cent. by 1979-80 and a raising of the thresholds by £1,000 in each case.

Turning to other questions, the Confederation proposes:—

More advantageous tax treatment to share incentive schemes in industry.

Changes in the proposed tax relief for export salesmen, so that the "25 per cent. deduction" relief be given wherever a total of 30 days in a year is spent working overseas.

Changes in corporation tax, it argues, may be less urgent. But it urges the Government to start considering for the future a number of reforms suggested in its 1976 proposals.

These include: amelioration of the incidence of advance corporation tax on companies lacking final mainstream tax liability.

Reduction of the rate of corporate tax by a few percentage points.

The granting of relief for stock increases on a once and for all basis each year using a cost of sales adjustment calculated on current cost accounting principles.

Tax relief for losses incurred as a result of the pound's depreciation, with tax liability for foreign currency gains (costing around £100m in 1977-78).

The Confederation also proposes substantial reduction in capital taxation to help smaller companies, including greater relief from the capital transfer tax.

Discussing how these tax reductions could be paid, the CBI suggests that limiting increases of social security benefits could result in expenditure savings of £150-200m.

It is vaguer on other expenditure cuts but argues that these should be concentrated on reducing expenditure on nationalisation and cutting the costs of administration of central and local government.

The CBI says its proposals would achieve the aims of increasing incentive and growth "without prejudicing the aims of further reduction of the rate of inflation towards our target of inflation at an annual rate of 5 per cent. in mid-1978 and improvement of the balance of payments, and without breaking any of the under-takings given to the IMF."

HOME NEWS

Critics of nuclear power 'think technology is static'

BY DAVID FISHLOCK, SCIENCE EDITOR

ELECTRICITY PRODUCED from nuclear fuel was proving substantially cheaper than electricity produced from coal or oil, Sir John Hill, chairman of the U.K. Atomic Energy Authority, told engineers in London

Nuclear stations were also less susceptible than their rivals to what Sir John called the inevitable increase in fuel costs.

The Central Electricity Generating Board disclosed yesterday that Berkeley, the first of its nuclear stations to come into operation, had produced 27,700 units of electricty in its 15 years of generating—more than many British coal-fired stations had generated over a lifetime of 30 years or more.

Sir John, speaking at the annual dinner of the Institution of Electrical Engineers, said he did not believe that the economic advantage of nuclear power was seriously challenged "even by our detractors."

The issues of the nuclear debate were simply those of public acceptability.

Even here, the public accepted that other hazards of industrialised society posed risks "of equal ultimate magnitude and much higher probability."

In a thinly-disguised attack on the nuclear study last year by the Royal Commission on Environmental Pollution under the chairmanship of Sir Brian Flowers—one of his own part-time Board members—Sir John said that an unsatisfactory characteristic of the recent nuclear debate had been to assume that the nuclear programme would expand rapidly, but that the technology would remain static.

Predictions of that kind were "useless and misleading." They would have proved that the iron and steel industry would collapse by about 1750 when all the trees were consumed as charcoal; that the country would be criss-crossed by canals to carry coal; and that London Airport could never handle 13m. passengers a year because too many small aircraft would be involved with too high a risk of mid-air collisions.

The British were fundamentally a sensible people. The economy of nuclear power was proved and accepted. Its cleanliness and safety were now widely accepted. There were clear answers to questions raised about plutonium and the problems of radio-active waste would be solved "in good time."

The emotion surrounding the subject would in due course subside and the public would come to accept the same attitudes as the strict but objective Nuclear Installations Inspectorate, he said.

Mr. Eric Booth, chairman of the Institution of Electrical Engineers, called for a firm decision to get Britain's hitherto wonderfully successful nuclear power programme back to life.

To allow the efforts of the past to be wasted would be "a crime for which the next generation will not forgive us."

The Royal Commission—"perhaps rightly"—had strongly overstated the problems surrounding the developing nuclear power industry and understated the benefits.

Fast breeder reactors were no scientist's dream but a sound engineering proposition. Britain should be transferring the experience gained in building the 250 MW Dounreay prototype into the first commercial fast reactor.

ICI and BP may take part in study

By Ray Dafter, Energy Correspondent

FIVE COMPANIES, including British Petroleum and ICI, are likely to form the private sector interest in the consortium which will study a £2bn gas gathering project.

The companies, which will probably also include Rio Tinto-Zinc, Total and Elf, are expected to invest a total of about £1m. in the study.

The Government hopes that by next spring the study will have shown the feasibility and form of a North Sea pipeline network capable of collecting gas from various fields.

About a dozen companies had indicated their interest in joining the study project but the number has been reduced to four distant groups. Total and Elf, partners in the Frigg gas field development, have submitted a joint application.

Negotiations are still proceeding and it could be several weeks before the companies' involvement is confirmed by the Department of Energy.

It is thought that BP and ICI are interested because of their offshore reserves and their big chemical operations which could make use of the large amounts of heavy gas, like ethane and propane, which may be carried in the pipelines.

RTZ is interested both as a shareholder in offshore reserves (the Alwyn Field) and as a potential contractor in the ambitious project.

It might hope to be involved in project management although the Government has stated that membership of the study company will not confer any special privileges when contracts come to be awarded.

The study company—Gas Gathering Pipelines—will be two-thirds controlled by the public sector (through the British Gas Corporation and the British National Oil Corporation) with the remaining interest drawn from the private sector.

GGP is expected to commission a number of consultants within the next few weeks. These will look at the potential sources and markets for the gathered gas and the cost and technical problems of installing an ambitious pipeline network. These studies will cost about £3m. according to Government estimates.

Both the Department of Industry and Energy believe that such a gas gathering project, perhaps developed during the 1980s, could provide British Gas with a continuing source of natural gas and stimulate the development of the U.K. petro-chemical industry through the delivery of heavy gases.

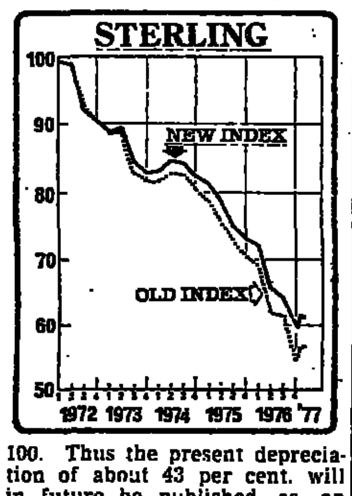
Sterling's depreciation to be indexed

By Colin Millham

CALCULATION of the pound's trade-weighted movement, published three times each day by the Bank of England, will be changed from next Tuesday.

Figures will still be based on the rates effective at the time of the Washington Currency Agreement of December, 1971. But it is hoped that the new formula will give a more accurate view of sterling's movement against other currencies.

The most noticeable change will be that, instead of being expressed as a depreciation from 1971 rates, the calculation will be shown as a straight index, with December, 1971, equal to



100. Thus the present depreciation of about 43 per cent. will in future be published as an effective exchange rate index of 57, although changes in the method of calculation will increase this figure.

The number of currencies included in the index will be 21 rather than the present 11, and the trade-weighting of these units will be based on data for 1972 rather than 1969. This is expected to have the effect of reducing the average depreciation and giving a higher figure for the index.

Some technical changes will be made in the method of calculation, including the use of geometric instead of arithmetic averaging, similar to the recent change made in the figures produced by Morgan Guaranty in New York.

At the beginning of last year the average depreciation was around 31 per cent. and is now in the region of 43 per cent. On the new calculation the respective figures would have been 28 per cent. and 38 per cent., giving rise to an index of 72 last year and 62 at present.

Construction industry orders ahead 6% last year

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

ORDERS WON by the construction industry last year were 6 per cent. up on 1975, according to provisional figures yesterday from the Department of the Environment.

In current price terms, builders won business valued at £7.14m. against £6.27m. in the previous 12 months. Actual output last year, however, is thought to have fallen by about 4 per cent. and the recession is expected to become even worse this year.

In December itself, total orders fell to only £439m., a drop of £180m. on the previous month and an indication of the steadily falling work levels which contractors are now experiencing.

According to the Department, new orders for public housing last year were valued at £1.45m. in current prices against £1.40m. in 1975. When judged in constant price terms, council housing orders in 1976 were 3 per cent. down on the year before.

Public works

Private housing contracts won last year were valued at £1.41m. against £1.10m. in 1975, and in constant price terms, business in this sector showed an increase of 17 per cent. over the previous 12 months.

In the public works sector, excluding housing orders, new business worth £2.41m. was taken up by contractors against £2.29m. in the year before. For the year as a whole, orders were 2 per cent. below the level achieved in 1975.

The Department estimates that private industrial contracts in 1976 were worth £885m. at current prices compared with £717m. in 1975. The annual figure was, in constant price terms, 17 per cent. better than the very low level recorded in the previous 12 months.

Private commercial orders last year were valued at £978m., an increase of £223m. on 1975. They were also, on a constant price basis, 25 per cent. higher than in the preceding year.

Engineering orders rising

BY IAN HARGREAVES, INDUSTRIAL STAFF

ORDERS in the engineering industry continued to rise in the second half of last year, with export orders holding a slight edge over those from the home market, according to Department of Industry figures.

The figures, published to-day in the official magazine, Trade and Industry, show that the inflow of new home orders continued to recover from the low level at the end of 1975, rising by 5 per cent. between August and November, according to trend estimates.

In the same period, the inflow of orders from abroad was slightly stronger, with a 6 per cent. improvement. These trends were particularly sharp in the first half of 1976, but have moderated since.

Even so, the intake of export orders remains high, due mainly to significant items in the electrical engineering sector.

Actual sales meanwhile, have remained flat in the home market but exports appear to be edging up once again. Total order books show signs of beginning to lengthen with the rise in export orders on hand just offsetting the continuing but slight decline in home order books.

The disparity between improvements in sales and orders is due to the time taken for new orders to work through the production stage into sales. Home sales were, in fact, practically unchanged in the seven months to the end of last November.

Export sales declined slightly in the middle of the year after an early upturn and this upward trend re-emerged between September and November with an increase of 0.5 per cent.

Yet it is felt that the improvement was too small to herald the beginning of a sustained period of growth.

Distillers to raise prices

By James McDonald

DISTILLERS, the leader in the U.K. spirits market, is to raise the wholesale price of Scotch whisky, gin and vodka from March 1.

The increases will probably work their way through to public houses in the form of another 1p on the cost of a whisky, gin or vodka.

On a wholesale basis, a case of 12 bottles of whisky will go up to £51.53 from £50.08, while a case of gin will rise from £48.58 to £49.78, and a case of vodka from £46.92 to £47.67.

This represents an increase of about 12p per bottle of whisky, 10p per bottle of gin and about 6½p per bottle of vodka.

After increased VAT has been taken into account, retail and supermarket prices of Scotch are expected to rise by about 14p a bottle, with gin up by 12p and vodka by 6p or so.

The higher charges, said Distillers, had been permitted by the Prices Commission because of increases in allowable costs, including fuel and power, wages, rates and services "and higher interest charges on our borrowings."

Distillers produces the six leading whiskies, Johnnie Walker, Haig, Black and White, Dewars, White Horse and VAT 69. It also produces Gordon's and Booths gin and Cossack Vodka.

Security review after killing

BY OUR BELFAST CORRESPONDENT

THE ROYAL Ulster Constabulary in Lurgan, Co. Armagh, is to review the present security arrangements in the town following the shooting of a police inspector and two constables as they opened a barrier for traffic yesterday.

Inspector Harry Cobb, 38, died in the attack and the two reserve constables were seriously wounded. The Provisional IRA has claimed responsibility.

Two other members of the security forces have been murdered at the same spot within the past year. Last night, the police said the barrier, which had been closed for some time, had been brought back into use after requests from shop owners.

Despite the security screens around the barrier, two gunmen were able to approach to within a few yards of the policemen and open fire with automatic rifles. The three men presented "a soft target" for the terrorists as they unlocked the steel gates, according to police.

Inspector Cobb was the eighth member of the RUC to be killed while on duty in Lurgan. A total of 72 regular members of the force have now died in the troubles as well as 26 members of the reserve.

The shooting has again raised the question of protection for the RUC. Its members are shortly to be issued with American-made M.1 carbines and a new type of armoured personnel carrier made by Short Brothers, Belfast, which could replace the lightly-armoured Land-Rover, is being tested.

Mr. Kenneth Newman, the Chief Constable, while seeking the best protection for his men, is facing the danger that the RUC might appear to be taking on a more aggressive stance.

Cross-Channel hydrofoil move

By Kevin Done, Industrial Staff

PORT authorities in London and Ostend have been approached to provide terminal facilities for a second cross-Channel hydrofoil service.

The approach has come from Commander Jeremy Montonaro, a former Royal Navy commander and now director of a small hovercraft operating company, International Hover Services, which runs services in the Solent and the Channel Islands.

Car output trend thrown off course by strikes

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE PRODUCTION crisis which has overtaken British Leyland in the last two weeks has thrown off course an encouraging start this year to U.K. car and commercial output.

Car output in January rose by 28 per cent. above the same month last year, with production for export showing a particularly large increase of 44 per cent.

On the commercial vehicle side—also hit by disputes at Leyland this week—there was an equally healthy improvement over the same month last year. Production was up to 33,388 units, a rise of 28 per cent.

The figures, published yesterday by the Department of Industry, also indicate that the underlying trend in the industry is now firmly upwards.

On a seasonally adjusted basis, car output, at 128,000 units was 16 per cent. above the monthly average for 1976, while production for the three months November to January was 13 per cent. above the preceding three months.

Production for the home market rose by 5 per cent. and for exports by 23 per cent.

On the same basis, commercial vehicle output at 37,500 units was 21 per cent. above the monthly average for last year. In the last three months it rose by 11 per cent. compared with the previous period, with the increase in output split between 16 per cent. for the home market and 6 per cent. for overseas.

Dell launches bid to span gulf on Bullock

BY JOHN ELLIOTT, MANAGEMENT EDITOR

A MAJOR bid to span the gulf between advocates and opponents of the Bullock Report on industrial democracy was launched in London yesterday by Mr. Edmund Dell, Secretary for Trade, as part of the Government's search for consensus on the subject.

In an attempts to demonstrate that there is a lot of common ground within the debate despite what he described as "major areas of controversy," Mr. Dell spelt out seven areas where he felt there was common agreement.

These included a widespread acceptance of the need for legislation ad of the principle of worker directors. Any scheme would also have to ensure that management remained efficient and that there was a commitment to the success of companies.

But while this showed Mr. Dell's keenness to achieve a compromise on the subject, he gave no indication that the Government was yet prepared to abandon the Bullock report's basic recommendations on union-based worker directors having the same number of seats as shareholder representatives on single-tier company Boards.

But he did emphasise the problems involved in sticking rigidly to the Bullock ideas. This illustrates the interest among some Ministers in considering alternative systems. On the one hand some Ministers believe there could be equal representation on the supervisory level in a two-tier Board structure or a minority worker representation on a single-tier. There could also be maximum provision for companies to negotiate their own arrangements with their unions which would mean that any Bullock-style formula would only be a legislative fallback.

Ministers are also exploring in private talks with employers' leaders the CBI's alternative proposals for statutorily-backed participation agreements which would not preclude worker directors.

Mr. Dell made his remarks yesterday at a conference organised by the Society for Long Range Planning. He acknowledged that "we have here an issue which can bitterly divide industry at a time when the economic future of this country crucially depends on a united effort for industrial expansion." But he said that the issue of industrial democracy had to be faced and the Government was determined "to find consensus if that is possible, to establish a lasting settlement which will not in its passage through Parliament bring only bitterness and dissension."

He then listed his seven issues where he had identified common ground in recent pronouncements on the subject. The first was that "management must not be hindered in its efforts to achieve success for the company," said Mr. Dell, adding: "Companies are not social clubs in which constitutional experiments can be contemplated without regard to their likely effects."

The performance of a company had to be the "major criterion" by which the success of any industrial democracy system was measured and this led to the second point of common ground—that there had to be "a commitment by all sides to the purpose of the company."

Thirdly there was an acceptance of the need for improved participation and of the need for legislation as an instrument to boost it in many companies. Then there was the desirability for the maximum possible flexibility to allow companies to make arrangements best suited to them. There was also "a widespread—though not yet general—acceptance of the principle that in certain circumstances it will be appropriate to appoint worker directors." Sixth, trade unions had an essential role to play and finally there should not be anything that would be a disincentive to investment

LABOUR NEWS

Engineers' union striving to sink social contract

BY DAVID CHURCHILL, LABOUR STAFF

AN ENGINEERING white-collar union official said yesterday his union had been encouraging members to press for pay claims outside the social contract, and would continue to do so, as well as campaigning for the pay policy to be scrapped.

Mr. Harry Smith, national organiser of the 140,000-member Technical Administrative and Supervisory Section of the Amalgamated Union of Engineering Workers, said that many employers in the engineering industry had already broken the pay policy during the past 18 months in an attempt to keep skilled staff. But he would not give further details of who and how many these companies were.

The union would not "opt out overtly" if another phase of pay policy was agreed he said, but would not "discourage our members from having a go for more money."

The union would not draw attention to these policy-busting deals and would adopt "secret guerilla tactics" to ensure they went through. He refused to specify these tactics.

Mr. Smith also said he expected both TASS and the AUEW national conferences in the spring to come out against another round of pay policy.

Support for the union's strong opposition to pay controls came yesterday from its survey of 60,000 members which revealed that the standard of living for engineering staff had dropped by up to 16 per cent. since the pay policy came into force.

'Dead not ailing'

The average skilled technician's pay had risen by almost 29 per cent. over the last two years, while prices had increased by 44 per cent. Real take-home pay of technologists and managers had fallen even faster with a cut of 16 per cent., the su[rvey] indicated.

TASS also intends to use results of its survey to press equal pay rises for women m[em]bers. It had lodged, too, a 100 applications for pay[...] for low paid workers under new Schedule 11 procedure [of] the Employment Protection [Act].

Meanwhile Mr. Joe W[ade] general secretary of the Nati[onal] Graphical Association, says [in] the latest issue of his un[ion] journal that the "Social [Con]tract is not simply ailing, [it is] dead." But he indicates th[at a] third stage of incomes p[olicy] could still be negotiated if [the] Government were to agree [to] change its economic policies.

The NGA national council said it is opposed to a pay p[olicy] "which does not provide [a] realistic wage increase [and] flexibility to cover anomalies [and] differentials as a first ste[p to] the restoration of free colle[ctive] bargaining."

Newspaper dispute takes new turn

BY OUR LABOUR STAFF

SIXTY JOURNALISTS went back to their desks at three Northamptonshire newspapers yesterday after 12 weeks out on strike, but were told by the management there would be no work for them until they agreed to work alongside nine others who joined a rival union during the dispute.

The 60 left again last night after being twice ordered out of the offices, but may come into work again to-day.

At one paper, the Northants Telegraph, Kettering, the switchboard has been told not to take incoming or outgoing telephone calls for the 60.

Mr. John Ryan, managing director of Northants Newspapers, said last night the same conditions would apply to-day. Earlier he said the company might take legal action if the "occupation" continued.

What started as a dispute over fringe benefits has turned into an inter-union row.

The nine journalists resigned from the NUJ during the dispute and joined the rival and smaller Institute of Journalists. But the NUJ says members cannot resign during a dispute.

The nine others are waiting at home and the Evening Telegraph editor has been producing the paper single-handed.

Mr. Ryan said members of the National Graphical Association on the printing floor have said they will not handle copy from the 160 journalists while the dispute lasts.

The original dispute was settled by a formula drawn up by the TUC printing industries committee, but the NUJ journalists attached to it the condition that the nine must declare themselves still NUJ members.

● The National Union of Journalists yesterday announced the signature of a formal "closed shop" agreement for journalists on the Romford Recorder. Other papers in the South Essex Recorders group, at Ilford and Newham, have similar agreements.

Bank staff association refused union statu[s]

By Our Labour Staff

THE STAFF organisation r[e]presenting most Bank of E[ng]land employees has been t[urned down] by the Certification Officer [...] It is not sufficiently indep[en]dent from the Bank's financ[ial] influence to warrant a cer[tifi]cate of independence as [a] trade union under the Empl[oy]ment Protection Act.

The Certification Officer's [de]cision, which was delivered [to] the Bank of England St[aff] Organisation yesterday, led [to] a wave of protest among t[he] BESO's 3,500 members ra[ng]ing from clerical staff [to] senior managers.

Benefits

As soon as the decisi[on was] circulated around the Bank t[he] organisation's general secr[e]tary, Mr. John Ward, w[as] swamped with telephone ca[lls] urging industrial action b[ut] falling short of actual strike d[e]mands. One popular form [of] action urged was to black t[he] Government's accounts with t[he] Bank, although Mr. Ward is [to] to remind members that t[he] Certification Officer was [in]dependent of both the Gover[n]ment and TUC.

The staff organisation [...] to seek a certificate because the benefits it brings und[er] the EPA which are only ava[il]able to independent tra[de] unions. Mr. Ward said yes[ter]day that the organisation wo[uld] appeal against the decis[ion] which he said was based [on] out of date information.

Recruit

The fear for Bank of Engla[nd] staff now, and unofficially [the] Bank itself, is that t[he] certification decision will g[ive] the recruiting ambitions [of] Mr. Clive Jenkins and the As[so]ciation of Scientific, Technic[al] and Managerial Staffs in t[he] Bank a major boost.

ASTMS, which is keen [to] recruit among the financ[ial] sector in general, had oppos[ed] the staff organisation's ap[pli]cation for a certificate.

Atom unions compromise over worker control

BY OUR LABOUR CORRESPONDENT

UNIONS IN the atomic energy industry have managed to draw up a compromise submission to the Government on industrial democracy despite their declared differences about the desirability of Board-level worker representation.

A joint statement from the manual unions yesterday carefully avoided any reference to 50-50 participation on the Board of the U.K. Atomic Energy Authority, merely asking for the "option" of Board representation.

But it does say that joint decision-making in the Authority must be extended "to the point where there can be no unilateral application of executive action by management."

This would require the setting up of joint machinery at reactor sites and on divisional and national Boards, and more information for workers.

Mr. Mick Martin, a national secretary of the Transport and General Workers — which last year called for 50-55 power sharing in atomic energy — said the unions had reached a consensus without the need to vote. But it had taken five weeks to reach a common position.

The main unions on the joint industrial council, covering some 5,000 manual workers, are the TGWU with four seats, the General and Municipal Workers with three and the Electricians and Engineers each with two. The AUEW and EPTU are among the strongest critics of the worker-director idea. The AUEW had said it is ready to see them in the public sector.

● Strikers at British Nuclear Fuels Windscale plant want the stoppage to become national. A meeting yesterday attended by about half of the 4,000 strikers was told there were every possibility that the Capenhurst, Cheshire, plant would support their month-old strike.

Steel plant 'normal' soon

By Our Labour Staff

STEEL PRODUCTION at British Steel Corporat[ion's] modern plant at Llanwern, So[uth] Wales, is expected to be [back] to normal by to-morrow fol[low]ing the decision yesterday b[y] blastfurnacemen to end t[heir] strike.

The blastfurnacemen [...] walked out on Monday in [sup]port of extra pay for [...] working conditions. Their st[rike] forced BSC to shut its £30[...] plant, including its newest [and] biggest blastfurnace, to[...] several thousand tonnes of s[teel] production.

At the two-hour meeting strikers agreed to return to w[ork] pending further talks with m[an]agement over their claim.

Mersey police want strike right

BY OUR LABOUR STAFF

MERSEYSIDE POLICE have voted overwhelmingly to seek the right to strike in pursuance of their pay claim.

A ballot carried out by the Merseyside branch of the Police Federation indicated that almost three-quarters of the 3,000 police who voted favoured legislative changes to allow them to take industrial action.

Police in the City of London, Thames Valley and other areas have already voted overwhelmingly in favour of seeking the right to strike.

The issue is to be put to the Police Federation's annual conference in May, when branches will decide whether to hold a national referendum of all police.

Police frustration has been building up in recent months over the rejection of their claim for a pay rise of £6 a week and improvements in fringe benefits.

The Home Office says the claim is outside the pay policy guidelines.

Mr. James Jardine, federation chairman, said yesterday that policemen and women were "fed up with being paid what a dustman would refuse."

Sir Robert Mark, Metropolitan Police Commissioner, made clear, however, his belief that the police would not go on strike over their pay claim if allowed to do so.

Stockport schools closed

OVER 4,000 manual workers employed by Stockport District Council — members of the National Union of Public Employees—held a one-day strike yesterday in protest at the council's plans to cut £2.5m. from the budget this year and make 400 manual workers redundant.

A total of 153 schools were closed and all highway and refuse collection services were at a standstill. Housing caretakers and social workers were also on strike, although emergency social services continued with union support.

First class backlog

All first-class letters delayed by the 10-day dispute at the eastern district sorting office in London earlier this month have now been cleared, the Post Office said yesterday.

University action

MORE THAN 200 technical and maintenance staff at the University of East Anglia, in Norwich, are planning to support a national one-day strike called at universities to-day. [The] stoppage is in support [of] members of the Association [of] Technical and Managerial St[affs] at Birmingham, who have b[een] out for 35 weeks over a nati[onal] agreement they claim has [not] been honoured.

Top talks call

A top-level meeting [with] Albright and Wilson has been [de]manded by the General [and] Municipal Workers' over [the] company's plan to close its p[lant] at Kirkby, near Liverpool, wi[th the] loss of 350 jobs.

SNOW REPORTS

	Depth (cms) L	Depth (cms) U	State of Piste	Weather	°C
Andermatt	65	330	Good	Snow	4
Strong winds spoiling snow					
Grindelwald	18	90	Fair	Cloud	8
Föhn attacking all snow					
Isola 2000	240	350	Good	Snow	−1
Good skiing on piste					
La Plagne	205	300	Good	Cloud	2
Good skiing on piste					
Murren	70	85	Good	Fine	0
Good skiing everywhere					
Niederau	30	90	Fair	Fine	4
Generally good piste skiing					
St. Anton	65	125	Good	Cloud	7
Some runs closed, avalanche danger					
Tignes	220	330	Good	Cloud	3
Some good powder skiing					
Zermatt	70	180	Good	Cloud	1
Excellent powder skiing					

The above reports were supplied by representatives of the Ski Club of Great Britain. L—Lower slopes. U—Upper.

SCOTLAND

Cairngorm—Main runs, lower slopes: All complete. New snow on firm. Vertical 1,600 feet. Access: Slight[ly] [...] Snow level 1,500 feet.

Glenshee—Main runs and lower sl[opes]: All complete. New snow on firm [...]. Ample nursery areas. Vertical 1,000 [feet]. Access clear. Snow level 1,500 feet.

Glencoe—Main runs, lower slopes: complete. Powder snow on firm [...]. Vertical 1,800 feet. Access clear; [snow] level 1,200 feet.

Forecast: Cold with sunny inter[vals]. Occasional wintry showers.

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echnical Page

ITED BY ARTHUR BENNETT AND TED SCHOETERS

● PACKAGING

'ouch will reseal ıany times

Y packaging applications ınd an airtight recloseable particularly in the food, co and pharmaceutical inies, where the contents of serving packs would rapidly iorate if air and moisture allowed in over a period of

these types of application, le packaging has never been ssfully applied on a wide

w, a London based company preme Plastics is about to h in the U.K. what it red to be the first ever le resealable laminate ι. Independent tests have ι the new packs, called igrip" packs, to be 85-90 ent. as effective as an und pack in terms of air and ıre protection.

ret of the new packs is the ıny's patented resealing , consisting of a male and ale strip across each side neck of the pouch. This een available on convenpolythene packs for some The launch of the latest marks the successful appliof this technique to a ıte body material.

ost any laminate can be provided the inner surface ythene. The non-opening of the pouches are finrather than the bead sealınd on conventional packs her feature which en the pack's resistance to gress of air or moisture. ange of sizes is from 100 mm. x 100 mm. to 300 mm. x 300 mm., with 5 or 10 mm. seals.

A major U.K. tobacco group is understood to be about to test market one of its pipe tobaccos in a specially printed Lamigrip pouch, as a replacement for a tin.

In other potential applications, the Lamigrip pouch will allow, for the first time, multi-serving packs. Powdered soups and stuffings, for example, will no longer need to be retailed in 'single shot' packs, as at present.

The range of pouches is being marketed by Supreme in conjunction with two major U.K. laminate suppliers—Bland Packaging of Manchester, and DRG Flexible Packaging of Bristol—who both collaborated with Supreme during the development work.

The Bosch Group, in the U.K. and in Germany, and Hayssen Europa have held discussions with Supreme on the modification of their existing machinery to take Lamigrip in reel form. In addition, Lancing Packers, Surrey, will run small quantities for the benefit of customers wishing to test market a product in this form of resealable packaging.

This new development is to be officially unveiled by the manufacturer at Pakex 77—the International Packaging Exhibition to be held at the NEC, Birmingham, from March 14 to 18.

More from the company at Vale Road, Haringey, London N4 1QB. 01-802 4202.

● ERVICES

ıfe where gas lurks

N, installation and operadvice covering electrical ent for use in flammable heres are at the heart of atest service to industry. creasing use of electrical ing and controlling instruin flammable atmospheres Sira Institute to set up isory and testing service t both the manufacturer user of instruments for on in these atmospheres. service, which includes ash testing and surface ature measurement, will he instrument manufaco obtain earlier certificahis product by ensurtisfactory design before sion to the approval ty. Even for manufacknowledgeable in the sub opportunity to offload of safety design and assessment work is invaluable, Sira asserts.

Also available to process companies and contractors applying electrical measurement and control systems in flammable atmospheres, the service takes care of the fact that exclusive use of certified instruments in such installations is not in itself sufficient to ensure safe operation. The whole system, including such aspects as earthing procedures and the electrical and mechanical properties of interconnecting cables, must be safe and must be installed according to drawings.

Sira will provide an impartial authoritative opinion on safety aspects at the system design stage and on installation.

More from Sira at South Hill, Chislehurst, Kent BR7 5EH. 01-467 2636.

● ESEARCH

ant-size windmill

Lewis Research Center, as project manager for nergy Research and ment Administration has named Kaman ce Corporation of Bloomonnecticut, to build the largest windmill blade will be constructed y of glass fibre, using es derived from those to build helicopter rotors weigh about 17 tons.) feet, the blade will be an twice the length of feet blades which power kilowatt wind turbine r now in use at Lewis n Center's Plum Brook in Sandusky, Ohio.

2m. contract with Kaman ce will pay for designbricating, testing, and ng the giant turbine ade, which is to be repree of the types of blade for production windmills ng 1.5 Megawatts of elec-

contract allows for the e tooling necessary to e single blade and for hnological development to fabricate such blades for future production. The largest helicopter blade now in use is only about a third as long—55 feet.

Detailed design studies will also begin this year on 2 Megawatt wind turbines. Two of the 150-foot blades would be needed to power a 2-Megawatt wind turbine in average winds of 14 miles per hour. NASA and ERDA will use these studies to determine the future test programme for blades this size.

ERDA is pursuing development of large wind turbines as a result of studies showing that the larger machines can produce electricity at lower cost per kilowatt. General Electric Company is designing and building two 1.5 Megawatt wind machines to be installed and tested for NASA and ERDA in 1978-80.

If the big blade technology is not needed for another five years after that—at least on any scale—the basic development work will have been carried out at a cost affordable in current terms.

More from NASA, Lewis Research Center, 21000 Brookpark Road, Cleveland, Ohio 44135.

● ANDLING

avyweight load bridge

HAS a £¾m. contract for e believed to be the and highest-capacity electronic weighbridges de by a British company.

the British Steel Cor, the order is for three weighbridge systems for e torpedo ladles of iron at Lackenby Works side. Each system has a m capacity of 800 tonnes overall length of 24 (79 feet). The previous capacity machine, also l to the BSC by Avery, 600 tonnes capacity.

systems will be sited in acks from the blast s to the steelmaking Each will consist of atforms mounted on load d installed in line. The ll be connected through a box and solid-state g instrumentation to a weight display and a cominterface, which will feed signals to data-processing s.

nd T. Avery, Smethwick, West Midlands, B66 2LP. 1112.

● ONFERENCES

arning out pumps

INTENSIVE short course ed by BHRA on "Pumps plant design engineer" held at Bath University pril 13 to 15.

alist speakers from inand the Association will ith pump selection and ics as part of this course which is primarily aimed at engineers in the process industries. Other subjects to be discussed include the design of pumping systems, specification and application of associated machinery, pump sump design, use of rotodynamic, canned and rotary positive displacement pumps, and pump selection. Cavitation problems the, pumping of highly corrosive liquids, and seals and sealing will also be covered.

Course fee is £87.50, including accommodation. Details from the British Hydromechanics Research Association, Cranfield Bedford MK43 0AJ (0234 750422).

● MARKETING

Licensees in U.K. sought

REPRESENTATIVES OF seven Ontario companies seeking licensees in Britain for industrial and commercial products are due to arrive in London on March 26.

They will look for British manufacturers with marketing facilities in Europe for a mixed bag of products. These include carton label printing machines, a device for automatically levelling ladders, an automatic pipe belling machine, a unit for converting scale contour maps into solid three-dimensional models, and desk calendars, diaries, binders and advertising specialities.

The group will work from Ontario House (Business Development Branch), Charles II Street, London, SW1Y 4QS.

● ELECTRONICS

More on a chip

THE APPEARANCE some years ago of large-scale digital integrated circuits on the commercial market soon gave rise to descriptions such as "computer on a chip," later to be dropped when the more knowledgeable asked: "How much of a computer?"

For a while the answer was: "Really only the central processor." Gradually, however, more and more of the essential elements of a computer—CPU, program memory, data memory and input/output arrangements—have been integrated so that now Intel, for example, is able to offer a chip to which it is necessary to add only a timing crystal plus one capacitor and connect a 5 volts DC supply to yield, as it stands, a microcomputer able to perform a variety of process and control functions in industry.

There are two devices, the 8748 prototyping version with an electrically programmable read-only memory and the 8048 production device that would be used once the system design had been finalised.

From the capacity point of view the devices have a thousand bytes of program store, 64 bytes of data storage, a resident interval timer/event counter of eight bit resolution with a separate level interrupt on overflow, 27 input/output lines, five control lines for external I/O and memory, an on-chip clock and on-chip power-on clear circuits.

Capability can be extended by adding additional integrated circuits from the company's 8080A family.

The instruction set consists of more than 70 commands, most of which are executed in one instruction cycle of 2.5 microseconds. None take longer than two instruction cycles.

The instruction set is straightforward and has a symmetry that enables the individual instructions to be easily remembered. Both BCD, binary arithmetic and logic operations can be carried out and there are 21 conditional jumps. Packaging of the device is 40-pin dual inline. Intel is at 4 Between Towns Road, Cowley, Oxford OX4 3NB (0865 771431).

Pacemaker lasts ten years

DEVELOPED by Siemens Elema is a heart pacemaker powered by lithium iodide batteries which, it is claimed, can be implanted for ten years before a replacement operation is needed.

Electronics and battery are encapsulated in a hermetically sealed titanium housing which also serves as the neutral electrode. The second electrode is fed through a vein in the right heart chamber and connected to the pacemaker which is suitably implanted in the stomach region or under the shoulder.

The small lightweight device has a distinct advantage over those using mercury cells (with a life of about three years only). Also, although the lifetime compares with atomic-driven devices, there is no problem with meeting the growing number of conditions and safety requirements of the latter. More from Postfach 3240, D-8520 Erlangen 2, West Germany.

● PROCESSING

Vacuum techniques gain ground

AS COSTS of certain of the scarcer metals rise and continuously better performance is demanded of the higher alloys, particularly those applied in aerospace, so vacuum techniques are coming into wider use.

This development has given considerable impetus to the growth of Scotvac—Vacuum Engineering (Scotland), part of the Redlac group—which has just beaten German and American companies in an international contest to win a £800,000 award for the installation of a vacuum induction melting and casting furnace. It is going into the Midhani complex in Hyderabad, India, for the production of the superalloys India needs for its aviation and aerospace programmes as well as in electronics and power generation.

This award follows on one worth £½m. for two vacuum resistance dewaxing and sintering furnaces for Intreprinderea Mechanica Fina of Budapest, Romania. They are required for the manufacture of tungsten carbide tool tips.

A high degree of automation characterises the design of the two units, both on the handling and on the treatment side. The company also has overcome the problem of wax vapour carry-over into the pumping system.

Redlac Engineering carries out the manufacture of the equipment at a plant at Bellshill, Lanarkshire and in the past 12 months has taken orders for abroad for this highly specialised metallurgical equipment for a total of more than £2½m.

There is a third company under the Redlac wing, the most recent to be formed, called Redlac Refining.

It is engaged in an area of vacuum technology applications about which comparatively little has been written to date — the refining of a group of metals by vacuum distillation. This offers the possibility of recovering high purity, distillates from valuable residues containing, for instance, tin, but contaminated with such "undesirables" as bismuth and antimony, though once separated, in pure form these too can find a ready market.

It is understood that plants of this type have already been sold for tin distillation to Bolivia and to Denmark for the treatment of spelter metal. The process is far less power-hungry than might have been anticipated because of its nature and it seems clear that scarcities and rising costs will accelerate its application in many industries which would never have contemplated a distillation technique hitherto. More from Redlac Engineering at 148 Buckingham Palace Road, London SW1W 9TR. 01-730 7266.

● INSTRUMENTS

Strain gauge is accurate

TRANSDUCERS (CEL), experts in load cell and pressure transducer technology, have announced development and availability of DataSense 2-500 Series. These are high-accuracy strain-gauged compression load cells that are totally protected against the ingress of any kind of industrial or marine contaminant by being completely enclosed in an electron-beam welded helium-filled stainless-steel enclosure.

Such hermetic sealing makes these load cells ideally suited to applications in weigh platforms, process and petrochemical plants, research projects, test rigs, hopper and tank weighing, offshore and marine environments—and any area where a hostile contaminating atmosphere exists.

The load-sensing element of the DataSense 2-500 series is manufactured under laboratory controlled conditions from a special alloy, to which are bonded eight die-cut platinum tungsten strain gauges.

Resulting specifications for the 50 kN, 100 kN and 150 kN versions of the new series are good: 0.10 per cent. non-linearity; full temperature compensation between −10° and +80° C (they will operate, without damage, from −40° to +80° C); rated output of 2.0 mV/V; and a minimum fatigue life of 100m. full range cycles. They have been designed for easy electrical and mechanical installation, have a high mechanical stiffness (0.05 mm maximum deflection for full load), and separate hermetic sealing of the load sensing chamber from the waterproof cable outlet provides double protection.

Each cell is supplied with an individual test certificate calibrated against a force standard traceable to the National Physical Laboratory in Teddington, Middlesex.

More on Reading (0734) 580166.

● TELEVISION

Camera for use indoors

EMI has introduced a completely self-contained closed circuit television camera with 18 mm vidicon pick-up tube for use in internal or protected locations.

The overall dimensions are only 97 x 100 x 231 mm (weight 2.04kg) and the camera, called Surveyor 3, can be used in many industrial and security monitoring applications.

Complete with integral synchronising pulse generator and capable of 450 lines resolution (resolution chart number one), the camera has circuits that enable a quality signal to be maintained over a light level variation of 1,000:1. As a result, monitors carrying the picture are less likely to need frequent re-adjustment.

A silicon diode pick-up tube can be fitted if required, but the automatic light control circuits are then disabled.

The 625 line 50 field interlaced camera can be operated from the mains or from a 15 volt DC supply, consuming 12 VA and 7.5 VA respectively. It is threaded for C-mount lenses. More from 252, Blyth Road, Hayes, Middx. (01-573 3888).

National Institute review envisages a 12% rise in earnings under Phase Three

Balance of payments expected to show surplus by second quarter

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A BIG improvement in the current account of the balance of payments with a surplus by the second quarter of this year is forecast by the National Institute of Economic and Social Research this morning.

The institute's quarterly review projects a current account surplus of between £300m. and £400m. in 1977, compared with a deficit of £1.5bn. last year.

The overall economic prospect outlined is for slow growth over both the next two years with a steady rise in unemployment to 1.6m. by the final quarter of 1978.

The rate of inflation is expected to fall gradually with the annual increase in consumer prices down to just over 12 per cent. by the end of 1977 and to 7 per cent. next year.

On present policies, the public sector borrowing requirement is expected to be £7.7bn. in 1977-78 and less than £6bn. in the following financial year. These figures compare with limits of £8.7bn. and £8.6bn. respectively in the Government's Letter of Intent to the International Monetary Fund.

Less bullish

The general shape of the forecasts is not radically different from those in the last Review in November, with the exception that the current account surplus in 1978 is now forecast at £2.2bn. rather than £5bn.

This reflects in part a less bullish view of U.K. trade competitiveness and a less favourable view of the terms of trade.

The institute's current account forecast for this year—revised down from a surplus of £1.1bn. to £366m.—is still more optimistic than most other projections, which are generally in the range of a deficit of between £500m. and £750m. The Treasury forecast in December was for a deficit of £1.5bn. in 1977.

The institute points out in the introduction to its forecasts that even greater uncertainty than usual exists about the assumptions to be used on pay, monetary and exchange rate policy.

It suggests that the problems of agreeing a pay policy are likely to be resolved, in spite of the pressures for a restoration of differentials and the unfavourable inflation and unemployment background.

Tax rates

Accordingly, an increase in average earnings of 12 per cent. during Stage Three of the Government's pay policy from the end of July is assumed. This comprises a basic norm of 6 per cent. plus 6 per cent. for flexibility.

An alternative assumption of a more restrictive pay policy and larger tax concessions is discussed below.

Otherwise, the assumption, as usual, has been unchanged policies, which in fiscal policy is taken to allow for a reduction in direct tax of £800m. in 1977-78, but no other changes in tax rates. It has also been assumed that interest rates will continue to drift down this year with the fall being halted in 1978.

On exchange rates, the institute's usual forecasting relationships would indicate a rise in sterling, especially in 1978 as the current account improves considerably.

However, the Government's declared intention is to preserve competitiveness, so the insitute has assumed that the rate will be managed to prevent any upward movement from its January level during 1977—though not so aggressively as to engineer a decline—with only a 3 per cent. appreciation during 1978.

Unemployment

On this basis, and with these provisos, the institute forecasts very little rise in Gross Domestic Product this year and an increase of about 1½ per cent. in 1978.

As a result, and taking account of the expected rise of 300,000 in the working population in the next two years, registered adult unemployment is projected to go up to 1.5m. by the end of this year and to continue increasing during 1978.

The review warns, however, that the jobless projections must be treated with great caution since at the present level of unemployment there could be more work-sharing or reductions in hours worked.

Private fixed investment is expected to show a mild recovery this year of about 3 per cent. ing, followed by a 4 per cent. rise in 1987, tailing-off towards the end of the year.

National Institute Economic Review No. 79, February 1977. National Institute for Economic and Social Research, 2, Dean Trench Street, Smith Square, London SWIP 3HE. £3 (in the U.K.)

Manufacturing investment is expected to rise nearly 10 per cent. this year, compared with last but it is forecast to rise scarcely at all after the second quarter of 1978, reflecting the continuing low level of capacity use.

Private housebuilding is expected to drop sharply this year with only a modest recovery in 1978.

Consumption

On the basis of the pay policy assumptions stated above, the rate of increase of inflation should slow down, especially from the end of this year onwards with an annual increase in consumer prices of 7 per cent. in the course of 1978. This implies a fractional fall in real personal disposable income in 1977 and a moderate recovery in 1978.

The institute suggests that consumption from now on will follow the path of real disposable income quite closely, leaving the savings ratio more or less steady at about 10½ per cent. compared with more than 14 per cent. in 1975.

The projections of the borrowing requirement take account in 1978-79 of the possibility of a substantial degree of contracting-out of the State pension scheme after April 1978—tentatively estimated at £1bn. in 1978-79, which still leaves a likely public sector borrowing requirement of less than £6bn. in that period.

Funding

The review states that there must be great uncertainty about the authorities' ability to continue to manage interest rates to fulfil the Government's intention of funding the major part of the borrowing requirement outside the banking system, following the recent fall in rates.

Although rates are projected to decline somewhat further in 1977, with an end-year Consol rate of about 11 per cent., a change in expectations about future interest rates will affect the success of funding. In 1977-1978, the Government is expected to fund some 40 per cent. of the forecast borrowing requirement outside the banking system and fund perhaps a quarter of the PSBR in the following financial year in the same way.

Given the background of a sharply improving current account, no real difficulty is foreseen in remaining within the Letter of Intent limits for the various monetary aggregates, with a projected Domestic Credit Expansion of £4.8bn. (against a ceiling of £7.7bn.) and £2.8bn. (against £6bn.) for the next two financial years.

Imports

The volume of world trade in manufactures is projected as growing at only about 6 to 7 per cent. a year. Given the exchange rate assumptions stated above and the inflation projections, exports are expected to become rather less price competitive during 1977. But this decline should cease in 1978.

The volume of exports is projected as rising by 5.4 per cent. this year, compared with last year, with import volume 3.2 per cent. higher. The growth of export volume is forecast to slow down in 1978. But with export prices growing more strongly than import prices, the current account should move into a surplus of more than £350m. by the final quarter of 1977 and £673m. in the same period next year.

Benefits

The institute has varied the policy assumptions with a projected 6 per cent. rise in average earnings in the year to mid-1978 and an income tax cut of £2.5bn. This does not have much short-term effect on economic growth, which would be 1 per cent. from the fourth quarter of last year to the same period of this year, rather than ½ per cent., with unemployment perhaps 50,000 lower than otherwise and inflation not much affected until next year.

The public sector borrowing requirement in 1977-78 however, would be £9.2bn. Further ahead, the benefits become much larger on both inflation and the balance of payments.

If the exchange rate was allowed to appreciate in 1977 there would not be much effect on the current account this year or next, but the rate of economic growth would be much lower in 1978, unemployment would be higher and the inflation rate between this year and next might fall from 7.3 per cent. to about 6½ per cent.

Summary of the forecast on unchanged policies

	Real GDP (per cent. change, year/year)	personal income (per cent. change, year/year)	Unemployment* (fourth quarter, m.)	Money supply (M3, per cent. change, end-year)	Consumer prices (per nect. change, year/year†)	Current account balance (year, £bn.)	Exchange rate (fourth quarter, $ per £)	sector borrowing requirement (fiscal year, £bn.)
1976	0.9	−1.5	1.3	12.1	15.6	−1.5	1.65	10.4
1977	0.9	−2.8	1.5	11.1	14.2	0.4	1.72	7.7
1978	1.3	1.8	1.6	8.3	8.3	2.2	1.77	5.6

(*) Great Britain, seasonally adjusted, wholly unemployed, excluding school leavers and adult students.
(†) Between the fourth quarters of each year, the rises in consumer prices would be 13.7, 12.2 and 7.3 per cent. respectively.

Growth in manufacturing likely to remain slow for next two years

THE GROWTH of manufacturing output is expected to remain relatively low over both the next two years, according to a special article in the Review.

The Institute points out that the recovery in production has been much slower than forecast in the last analysis of industrial output in the August Review.

Manufacturing production rose by about 1½ per cent. last year, with only chemicals, coal and petroleum products and metal manufacture showing a substantial output rise.

In the current year, manufacturing production is projected to grow by 1.6 per cent. and by 1.9 per cent. in 1978.

The main areas expected to show above average growth are again chemicals—up 6 per cent.—and coal and petroleum products, up 4.5 per cent.

By contrast, the engineering sector is forecast to increase output by only 0.6 per cent. this year after a 2.2 per cent. decline in 1976 and by 1.1 per cent. in 1978 with instrument engineering about the only bright spot, offsetting a decline in shipbuilding and aerospace output.

Mechanical engineering output, which fell by 4.3 per cent. last year, is expected to recover fractionally in 1977 reflecting an improving trend of net new orders in the past 12 months, especially from abroad.

The consumer goods sectors of food, drink, tobacco, textiles and clothing are projected to grow by only slightly less than the overall manufacturing average.

Outside manufacturing, mining and quarrying is forecast to show a 7 per cent. rise in output this year and 3.5 per cent. in 1978 as a result of the build-up of North Sea activity. Construction output is again expected to decline before recovering marginally in 1978.

ESTIMATES AND FORECASTS OF THE GROSS DOMESTIC PRODUCT: SUMMARY

	GDP: compromise estimate (at factor cost)	Consumers' expenditure	Public authorities current spending	Gross fixed investment	Exports of goods and services	Total final demand	Imports of goods and services
1976 Year (£m., 1970 prices)	47,778	35,571	11,122	9,531	15,129	71,013	14,353
Percentage changes							
1976/75	0.9	0.6	2.9	−4.4	6.3	1.9	5.8
1977/76	0.9	−0.6	−0.2	−2.5	5.4	1.2	3.2
1978/77	1.3	1.1	−1.1	1.0	3.6	1.7	3.1
1976 IV/75 IV	1.6	2.2	1.3	−4.9	9.0	2.9	8.2
1977 IV/76 IV	0.5	−1.3	−1.6	−2.0	2.6	0.4	0.6
1978 IV/77 IV	1.4	1.6	0.2	1.4	3.8	1.9	3.6

N. Sea oil era calls for wise management of balance-of-payments benefits

BY RAY DAFTER, ENERGY CORRESPONDENT

THE ECONOMY could emerge from the North Sea oil era with a substantially overvalued exchange rate if the balance of payments benefits arising from offshore development are not managed wisely, the Review warns.

If the oil-generated trade surpluses produced, or were allowed to produce, a substantial upward shift in the exchange rate, there was a danger of substantial deficits being generated on the non-oil account.

Boost

Such deficits would reduce the overall surplus but, more important, could also boost the exchange rate to unrealistic levels.

The effects of the oil trade savings, after allowing for net accruals to foreign investors, are seen by the Institute as a major influence on the U.K. economy. It expects the improvement from 1976 to 1981 to be some £7bn., perhaps £4.5bn. at 1976 prices. This was about 10 per cent. of current balance of payments debits, or about 4 per cent. of Gross Domestic Product.

The National Institute has calculated, using a number of basic assumptions, how much increased domestic demand this improvement would permit. As a result (and purely as a guide) GDP could be some £25bn. to £30bn. higher in 1981, at 1976 prices, allowing for growth in productive potential of 2.5 to 3 per cent. a year.

Judgment

In practice, says the Review, labour and capital constraints will not permit such an increase. The accumulated deficits amounted to rather more than £7bn. while it had been officially estimated that some $20bn. of foreign debt fell due for repayment between now and 1985.

It was a matter for judgment how much of the oil benefit should be earmarked for the repayment of this debt. One approach would be to count only those loans for which oil revenues had provided the security.

A more cautious approach would be to set aside a larger sum on the grounds of debt, however incurred, as a valid alternative to increasing domestic incomes as a use of the oil benefit.

As a rough guide, the use of £1bn. a year (at 1976 prices) for debt repayment would reduce potential domestic output in 1981 by a little more than 3 per cent.

It should be remembered, says the Review, that some of the gains from North Sea oil have already been taken. Oil had secured foreign loans which had, in turn, permitted the maintenance of a higher exchange rate, a higher (albeit low) rate of growth and a lower (albeit high) level of employment than would have been possible without offshore development.

VALUE OF OUTPUT AND BALANCE OF PAYMENTS CONTRIBUTION OF NORTH SEA OIL (£m.)

	1975	1976	1977 (Forecast)	1978 (Forecast)	1979 (Projection)	1980 (Projection)	1981
North Sea							
Revenue	56	658	2,617	4,044	5,588	6,381	7,462
Operating costs	10	275	607	1,066	1,558	1,811	2,100
Taxes	6	74	301	897	1,852	2,125	2,527
Royalties	6	74	294	455	628	718	839
Corporation tax	—	—	—	42	552	596	787
Petroleum Revenue Tax	—	—	7	400	672	811	901
Net income before depreciation	40	309	1,708	2,082	2,178	2,444	2,834
Remittances abroad	22	115	656	1,059	1,378	1,498	1,788
Current account	10	51	334	533	795	896	973
Capital account	12	64	322	517	583	602	815
Oil trade							
Imports of crude	3,071	4,094	3,678	3,045	2,435	2,205	2,163
Exports of crude	30	177	859	1,389	1,848	2,108	2,768
Net exports of refined	−73	−49	—	—	—	—	—
Balance on oil trade	−3,114	−3,966	−2,818	−1,657	−587	−97	+605
Value of imports replaced by North Sea oil	45	461	1,458	2,681	3,614	4,123	4,511
Net effect on balance of payments	23	523	1,861	3,020	4,084	4,733	5,491
Assumptions							
Price f.o.b. of crude oil imports ($/barrel)	10.60	11.49	12.80	13.20	14.10	14.90	15.80
Price of North Sea oil ($/barrel)	13.00	13.00	14.10	14.50	15.50	16.40	17.40
Exchange rate ($)	2.22	1.81	1.70	1.70	1.80	1.90	2.00

Stonehouse can appeal to Lords

MR. JOHN STONEHOUSE, jailed on 18 charges at the Old Bailey last August, was yesterday granted leave to appeal to the House of Lords against his conviction on five of the counts. His appeal is expected to be heard during the summer.

The leave granted by three Law Lords relates to five charges dealing with Mr. Stonehouse's alleged attempt to defraud insurance companies of £125,000, under policies in favour of his wife, Barbara, by faking his own death by drowning.

If his appeals succeed, his conviction on the remaining counts, and his seven-year sentence, will not be affected.

In granting Mr. Stonehouse leave, Lord Wilberforce, Lord Diplock and Lord Simon of Glaisdale stipulated that his petition of appeal must be lodged in the House of Lords by March 10.

Drought reveals buried history

THE DROUGHT last summer has highlighted more than 600 ancient monuments in Scotland, the Scottish Office announced yesterday.

The Royal Commission on the Ancient and Historical Monuments of Scotland has completed processing and cataloguing aerial photographs of the monuments.

Under suitable climatic conditions the monuments affect the ripening rate of crops growing over them. The crop-marks are at their best when the summer has been exceptionally dry.

Spare output capacity with unemployment

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

POTENTIAL FOR INCREASED OUTPUT (Averages, weighted by employment)

	With present hours	With additional overtime	With additional labour
Food, drink and tobacco	6.3	11.8	15.5
Chemicals	16.9	18.2	19.5
Mechanical engineering	13.6	21.5	35.4
Motors	1.4	6.7	13.4
Metals	6.0	10.6	11.5
Textiles	7.4	13.0	18.8
Clothing and footwear	15.0	20.8	24.5
Paper and printing	12.4	22.4	2.3
Construction	14.9	22.2	36.0
TOTAL	7.6	12.4	21.5

GROSS DOMESTIC PRODUCT is probably nearly 10 per cent. below the full employment level in the U.K., according to a discussion of medium-term spare capacity and employment in the Review.

[illegible]

Monetarism

[illegible]

Metal sector

[illegible]

Forecast for world economy optimistic

BY ANTHONY HARRIS

[illegible]

Trade slow

[illegible]

Commodities

[illegible]

25% rate rise

STAFFORDSHIRE County Council yesterday approved an increase of 25 per cent. in the county rate. The rates go up to 60p in the pound because of reduced Government grants and inflation.

LEGAL NOTICES

No. 277 of 1977

In the SUPREME COURT OF NEW SOUTH WALES Equity Division. In the Matter of GOLLIN & COMPANY LIMITED and in the Matter of The Companies Act, 1961 (as amended), Section 181.

To the creditors of Gollin & Company Limited.

NOTICE IS HEREBY GIVEN that by an Order of the Supreme Court of New South Wales made on 11th day of February, 1977, a meeting of the creditors of the Company will be held at 2.15 o'clock in the afternoon on Thursday 17th day of March 1977 in the Lower Town Hall, George Street, Sydney, New South Wales, Australia. [illegible]

No. 278 of 1977

In the SUPREME COURT OF NEW SOUTH WALES Equity Division. In the Matter of GOLLIN HOLDINGS LIMITED and in the Matter of The Companies Act, 1961, Section 181.

To the creditors of Gollin Holdings Limited.

NOTICE IS HEREBY GIVEN that by an Order of the Supreme Court of New South Wales made on 11th day of February, 1977 a meeting of the creditors of the Company will be held at 10.00 o'clock in the forenoon on Thursday 17th day of March, 1977, in the Lower Town Hall, George Street, Sydney, New South Wales. [illegible]

SLY & RUSSELL, Solicitors for the Petitioner, 88 Pitt Street, Sydney, Australia 2000.

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INTERNATIONAL APPOINTMENTS

APPOINTMENTS

CONTRACTS AND TENDERS

LEGAL NOTICES

No: 00569 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of ALL MANKIND (MENSWEAR) LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 21st day of February 1977 presented to the said Court by the DEPARTMENT OF HEALTH AND SOCIAL SECURITY of State House, High Holborn, London, W.C.1, and that the *said Petition is directed to be heard* before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, *on the 28th day of March 1977,* and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment *of the regulated charge for the same.*

M. W. M. OSMOND,
State House,
High Holborn,
London, W.C.1.
Solicitor to the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. *The notice must state* the name and address of the person, or, if a firm, the name and address of the firm, *and must be signed by the person* or firm, or his or their solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 25th day of March 1977.

No. 00570 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CASTLE HOMES LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 21st day of *February* 1977 presented to the said Court by the DEPARTMENT OF HEALTH AND *SOCIAL SECURITY of State House, High* Holborn, London, W.C.1, and that the said Petition is directed to be heard before the Court *sitting at the Royal* Courts of Justice, Strand, London WC2A 2LL, on the 28th day of March 1977, and *any creditor or contributory of the said* Company desirous to support or oppose the making of an Order on the said *Petition may appear at the time of hearing* in person or by his Counsel for that purpose; and a copy of the Petition will be *furnished* by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

M. W. M. OSMOND,
State House,
High Holborn,
London, W.C.1.
Solicitor to the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the *firm, and must be signed by the person* or firm, or his or their solicitor (if any), and must be served or, if posted, must be sent *by post in sufficient time to* reach the above-named not later than four o'clock in the afternoon of the 25th *day of March 1977.*

COMPANY NOTICES

MINERALS AND RESOURCES CORPORATION LIMITED
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NOTICE TO HOLDERS OF SHARE *WARRANTS TO BEARER*
PAYMENT OF COUPON No. 83

With reference to the Notice of *Declaration* of Dividend advertised in the Press *on 22nd February, 1977, the following* information is published for the guidance of holders of Share Warrants to Bearer.

The dividend of 4 cents was declared in *United States currency. The dividend on* Bearer Shares *will be paid on or after* 31st March, 1977 against surrender of coupon No. 83 detached from Share *Warrants to Bearer as under:—*

(a) at the office of the Corporation's Continental Paying Agent:—
Credit du Nord,
6 & 8 Boulevard Haussmann,
Paris 9e.

(b) at the London Bearer Reception Office of Charter Consolidated Limited, 40 Holborn Viaduct, London, EC1P 1AJ. Unless persons depositing coupons at such office request payment in U.S. dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency either:—
(i) in respect of coupons lodged prior to 18th March, 1977, at the United Kingdom currency equivalent of the United States currency value of their dividend on 22nd March, 1977, *or;*
(ii) in respect of coupons lodged during the period 18th March, 1977 to 23rd March, 1977 both days inclusive at the United Kingdom currency equivalent of the United States currency value of their dividend on 28th March, *1977 or;*
(iii) in respect of coupons lodged on or after 24th March, 1977 at the then prevailing rate of exchange on the *day the proceeds are* remitted to the London Bearer Reception Office.

Coupons must be left for at least four *clear days (eight days if payment in United* States currency has been requested) for examination and may be presented any week day (Saturday excepted) between *the hours of 10 a.m. and 3 p.m.*

United Kingdom income tax will be deducted from coupons paid in the United Kingdom at the London Bearer *Reception Office, unless such coupons are* accompanied by declarations to the contrary in accordance with Inland Revenue requirements. Where such deduction is made, *the net amount of the dividend* will be 2.60 cents (U.S.) per *share* as follows:—

	United States Currency per Share cents
Amount of dividend declared	4.00
Less: U.K. income tax at 35% on the gross amount of the dividend of 4 cents	1.40
	2.60

In the case of payments made in U.K. currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

London Office:
40 Holborn Viaduct,
EC1P 1AJ.

24th February, 1977.

HOTELS

TRAVEL

The Property Market

BY QUENTIN GUIRDHAM

CALUS aim to find what industrial tenants want

"On the one hand, there is the view that the great majority of industrialists' activities can be accommodated in a relatively simple standard envelope; on the other there is an opinion that as developers try both to maximise value and minimise first cost, sometimes the buildings they create do not provide the best in long term value for money, and often prove a handicap to the changing needs of modern industry."

This understated summary of the long argument which has gone on between some industrial users and the developers who build speculative units to attract them comes from the Centre for Advanced Land Use Studies (CALUS), the research unit of the College of Estate Management. CALUS is now trying to find out something about the problems from a survey which will, it says, be conducted from the users point of view. To that end it will canvass the users and developers of a selection of post-1965 warehouses and factories of less than 25,000 sq. ft. and built speculatively.

The scope of the study is wide, perhaps dangerously so, in taking in the effect of statutory planning controls as well as design requirements. But the most important element may be the attempt to "provide a statement on the most appropriate overall design guidelines for the specific categories of industrial user" and the nub of the problem may be summed up in a further aim of the study. "To investigate the limitations imposed on developers in providing a range of buildings which can only present limited variations."

With the bulk of private developers less likely than ever to hold their developments as investments, they are at present designing as much for their second stage clients, the institutions, as for the tenants. There is no reason why one building should not suit both purposes, but it is argued by some that investors' caution is becoming the predominant factor. So it is not so much the developers' desire to cut costs and create units of the widest possible use which is creating a problem, but rather the rigid ideas of many institutions about what sort of buildings will re-let.

Whether it is possible to match investors and tenants' requirements may be doubted, but some developers have been successfully managing it for years. Nevertheless the best result of the CALUS study, due at the end of the year, may lie in influencing the institutions to greater flexibility.

John Cullis of Fuller Horsey, one of those associated with the project as an advisor (as is Nigel Mobbs of Slough Estates) thinks that in heights and floor loadings it is possible that minimum requirements have become too standardised and also reckons the study should produce useful evidence on the positioning of services in buildings and whether it would often be better, initially, to leave the floor out of areas where offices might go, the concrete having inevitably to be hacked about by those converting the space.

On the subject of office space on industrial sites, another agent, Tony Grant of Grant and Partners, has this week gone into print to stress the increased trend for what he thinks are economic reasons, for companies to want their offices together with their production plants or distribution centres.

The lower rents and parking charges, together with much lower rates, are the prime reasons given, but improved communications between departments and shared overheads are others. From the traditional ratio of 10-15 per cent. of office space in industrial units, Grant quotes examples like FMC, the meat distributors, currently using 13,000 sq. ft. of warehouse space under the same roof as 7,000 sq. ft. of offices at Bereford Avenue, Wembley, and Haden Young occupying a 40,000 sq. ft. factory at Abbeydale Road, London, N.W.10, which has 15,000 sq. ft. of ancillary office space.

Grant says that "new inquiries suggest that there will be a growing number of exceptions to the traditional space mix of (in many cases) 10 per cent. offices, the trend being towards around 35 per cent. However, the requirement of firms needing such space vary enormously in their detail, and there is little prospect of industrial estate developers departing significantly from a 10 to 15 per cent. norm. "What he thinks may develop is provision in estate layouts for office extensions, for instance, through the later construction of mezzanine floors.

OUT AND ABOUT

● Capital and Counties confirmed yesterday that it is looking to sell a major part of its interest in the Victoria Centre, Nottingham. Given the size of the scheme, the company mentions investors "either singly or in a consortium" being invited to enter discussions. The preference, the company maintains, is to keep some interest in the scheme and its management, but it would consider a complete sale. Retained advisers for Capital and Counties are Healey and Baker.

C and C's loans still have three or four years to run and the major first reviews on the Centre, opened in 1973, have not yet come through, the rent role at present being around £1m. The company reckons the value is in excess of £20m.

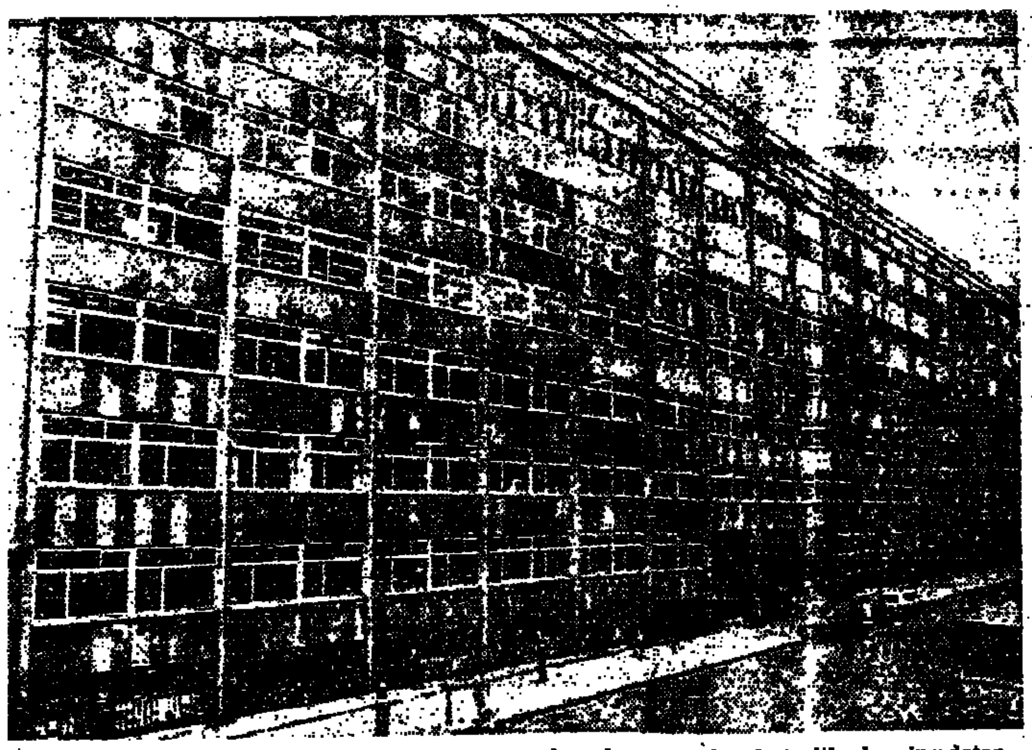
● Federated Land and Building has gone for a medium term loan from Manufacturers Hanover Trust to finance building of its Hempstead Valley Shopping Centre. The £4m. mortgage is repayable by December 1981, which will take the scheme through to its first series of rent reviews. The absence of longer-term money is explained by the chairman as due to Federated's reluctance to sell any substantial portion of the equity, while the costs on a longer-term floating rate mortgage were prohibitive. Given institutional nerves about out-of-town shopping centres, it looks as if developers need to get the schemes up and close to trading before investors can decide their value. Half a mile from the M2 and four miles from Chatham, Hempstead's major pre-let is to the Sainsbury-British Home Stores subsidiary SavaCentre, taking 130,000 square feet, with the other 120,000 square feet divided between five larger units and about 30 of standard size. There are no details on these lettings yet, but Federated say the right interest is there. Due to open by the autumn of 1978, the developer states that its share of the rent roll (25 per cent. goes to the landlord. Federated having a 125 year lease) should be over £800,000 a year. The building contract is with Wimpey.

● It will be a busy few days in Edinburgh for Rothesay Securities, the company run by former Lyon and Bovis director Greville Mitchell. To-day it opens new offices, formerly the Jones Lang Wootton premises at 91 George Street; on Monday it hands over its 16,000 square feet development, done with Scottish Amicable Pensions Investments, at South St. Andrew Street to the PSA, which pre-leased the scheme as a Job Centre; and on Tuesday construction starts on the first phase of an industrial development at Sighthill on the West side of the city. Rothesay bought the seven acre site from the Bank of Scotland only on February 14. It has an agreement on it with Standard Life which is to develop the first phase of 50,000 square feet with Rothesay acting as development managers.

● Hammersmith, a graveyard for some developers' hopes, may be blessed with one of the largest office developments ever by a public corporation. London Transport announced this week that it has received a speculative ODP for its scheme to include up to 600,000 sq. ft. of offices, as well as providing shops, a new bus station and garage, and new ticket halls for the Underground. The project has been mooted for some years and London Transport is confident enough to state that it has retained architects "to prepare the plans for a planning consent by the end of 1977," a time schedule which suggests that local and national government will race to welcome the colossus. Given the new approval of those constructing ever offices in London, and the nature of the developer (controlled by the Greater London Council), LT may be right. What it is not disclosing yet is any funding plans but it says that "neither London Transport nor its pension funds will be providing the money for the scheme at the appropriate time. Financial support for the project will be sought from the institutions." Given costs of perhaps close to £40m., that's a lot of support, with talk of a consortium of funds being the most likely answer. London Transport cautiously states that "the financial benefit obtained from the commercial development will partially support the much needed improvements to public transport and other public amenities in Hammersmith."

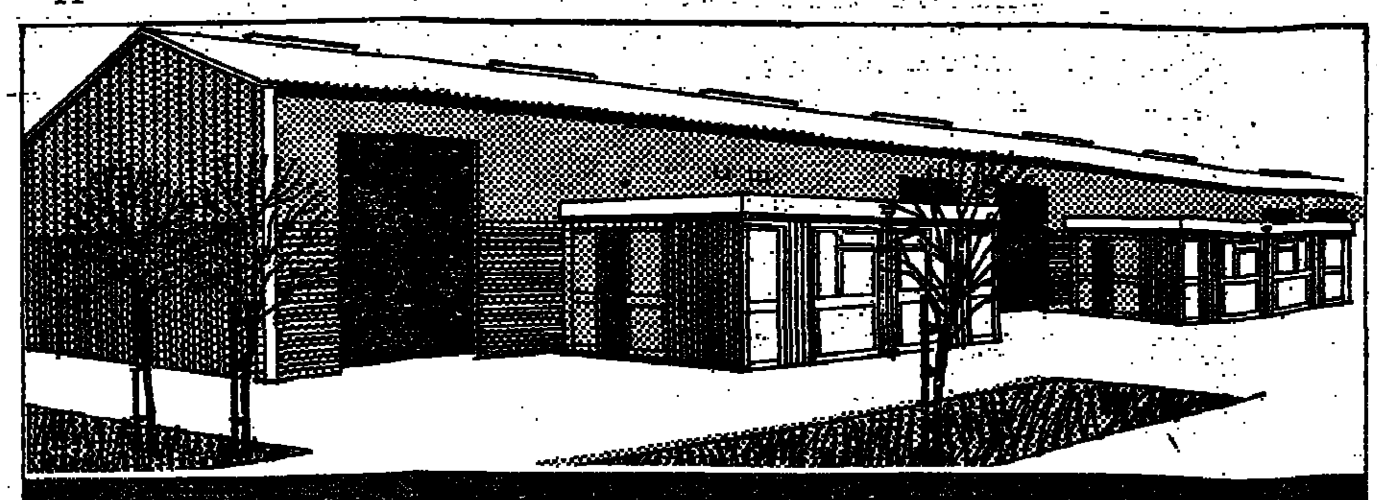
● Wiggins Teape, as part of its relocation exercise to Basingstoke, has disposed of its leasehold interest in three floors of AMP House, Croydon. The Department of the Environment has taken 27,650 square feet and the remaining 4,500 square feet have been handed back to freeholders Australian Mutual Provident Society. Customs and Excise will occupy the space among the best in Croydon, and the DOE has taken a new 25 year lease granted direct by the freeholders with five year reviews at a rent of £5 a square foot and £125 per car space. Strutt and Parker did the letting and McDaniel and Daw acted for AMP.

● Edward Erdman reckons to have achieved a record rent for South Molton Street, London, a successful pedestrianisation scheme running south of Oxford Street. On No. 40, acting for EMI, it has let to Galaxy Shoes (represented by Silverman Bourne and Company) on a 15-year lease with five year reviews at over £20,000 a year, equating to over £55 a square foot. This puts the up-market South Molton shops in the same league as parts of Oxford Street and Erdman says it had over 200 inquiries on the unit.



One of the rare large units to come on the letting market in the West End of London this year will be the 3M's headquarters in Wigmore Street. As reported last month, the U.S. group is, after a long search for a larger headquarters, moving to Bracknell, where it will take a block only slightly larger than these premises but with planning determination for a further 160,000 sq. ft. The 106,560 sq. ft. block shown above was built in 1956 and 3M has a lease running to 1991. It will be vacating towards the end of the year and agents Jones Lang Wootton say the asking rent is £960,000 a year.

INDUSTRIAL AND BUSINESS PROPERTY



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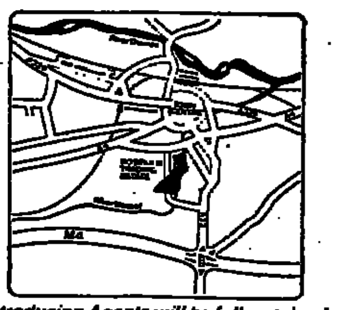

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PARLIAMENT

The contortions of Foot

BY PHILIP RAWSTORNE

"ONLY A Labour Government can, and will, do it," Mr. Michael Foot stressed yesterday, bending over backwards to retrieve the Government's devolution legislation.

The Commons always enjoys a display of political gymnastics and there was a full House to watch its Leader's attempt to extricate himself from the tangle.

His flexibility won some applause—but no one in the end appeared convinced that he would succeed in straightening things out.

Still, the effort might at least keep the Nationalists so transfixed that they could forget about their threats to bring the Government down.

"The Government remain committed to the principle of devolution," declared Mr. Foot—and, according to the vote on the Bill's second reading, so did a majority of the Commons.

But a wider agreement was obviously needed on the form it should take, and he proposed a series of talks with the other parties to see if it could be reached.

Mr. Francis Pym, the Tory spokesman, welcomed Mr. Foot's apparent pliancy. "But if the Government is genuine in its approach, it must be prepared to abandon its Bill," he said.

This was response which showed some stiffening in Mr. Pym's position since last week-end, when he said that such a Government move need not be a pre-condition for talks.

The Government still believed the general outline of its Bill was the best framework for devolution, retorted Mr. Foot. Though he accepted Liberal leader Mr. David Steel's promise to bend his energies towards a solution, Mr. Foot commented snappily: "We certainly don't want the kind of flexibility that votes for the principle of the Bill before Christmas and tries to kill it afterwards."

Watching these political contortions, Mr. Gordon Wilson for the Scottish Nationalists, promptly dismissed them as "meaningless nonsense." Mr. Dafydd Thomas, Plaid Cymru, demanded assurances that there would be no time-wasting.

Mr. Foot: "I accept your impatience. I am impatient too."

But anti-devolutionists on both the Labour and Tory backbenches warned that they would also expect to participate in the talks. Everyone would be welcome, Mr. Foot resignedly indicated—though he clearly did not expect much help from some of the volunteers.

Mr. Bob Mellish, the former Chief Whip, with strong support from other Labour MPs, suggested that it might be better if Mr. Foot were to consult the people of Scotland and Wales in an immediate referendum.

There were considerable objections to that, Mr. Foot replied—but, in his position, some MPs thought his arm might eventually be twisted.

No plans to renegotiate on Chrysler

By Our Parliamentary Correspondent

THE GOVERNMENT has no plans to try to renegotiate its financial rescue of Chrysler (U.K.) Ltd. in view of the company's greatly improved financial position.

This was made clear in the Commons by Mr. Bob Cryer, Under-Secretary of State, Department of Industry, who had been asked about a possible re-negotiation by Mr. Kenneth Clarke, Conservative MP for Rushcliffe.

Mr. Clarke had asked about renegotiation following the recent announcement that Chrysler U.K. expected a loss for 1976 of £42.8m. while the Chrysler Corporation's general financial position had greatly improved.

The losses anticipated for Chrysler U.K. is £2.8m. more than the main ceiling of £40m. covered by Government grants agreed at the time of the rescue operation.

Now the clause in which the company and the Government share any deficit in excess of £40m. and up to £60m. maximum will come into play.

Mr. Cryer: "The sum to be paid to Chrysler U.K. Ltd. in respect of their 1976 losses will not be significantly more than was predicted in early 1976 when it was agreed to provide assistance, and is in fact substantially less than the maximum provision that was made in the agreement between Chrysler and the Government."

Next week

COMMONS

Monday: Debate on Welsh economy and opposed private business for consideration.

Tuesday: Foreign Affairs debate.

Wednesday: Coal Industry Bill, second reading; remaining stages of Returning Officers (Scotland) Bill.

Thursday: Debate on Burden of Personal Taxation; and motion on EEC Export Credits documents.

Friday: Private Members' Bills.

Monday, March 7: Second reading of the Consolidated Fund (No. 2) Bill.

Government 'still committed to principle of devolution'

BY IVOR OWEN, PARLIAMENTARY STAFF

KEEPING THE Scotland and Wales Bill alive still offers the best hope of giving practical effect to the principle of devolution, Mr. Michael Foot, Leader of the Commons, repeatedly insisted.

He was being questioned about the implications of the Cabinet's decision to authorise exploratory talks on the situation created by the Government's guillotine defeat on Tuesday night.

While bowing to the will of the House on the guillotine issue, he urged MPs to attach equal importance to the earlier vote which produced a substantial majority for the Bill on second reading.

Mr. Foot stressed that the Government remained committed to the principle of devolution—it was essential both to satisfy the legitimate aspirations of the people of Scotland and Wales and to preserve the unity of the U.K.

The Government also believed that these objectives were best met by the schemes embodied in the Scotland and Wales Bill.

After recalling the substantial majority obtained by the Bill on second reading, Mr. Foot accepted that the defeat of the guillotine motion on Tuesday night showed that many MPs had strong reservations which had yet to be removed about particular features of the proposals.

"The Government believe that our proposals are in fact soundly based," he said.

"But we are entirely willing not only to explain them further but also to consider how they might be improved, so that what finally reaches the Statute Book shall reflect the widest possible agreement in Parliament."

In general, the Government believed that the working out of the legislative proposals was best conducted by the normal processes of the House of Commons but "in the exceptional circumstances of devolution" Ministers were ready to supplement these processes by special discussions.

After announcing that invitations to enter into the discussions would be issued to all the political parties represented in the House within the coming week, he stated: "The aim of these discussions will be to explore how we may achieve, if it is possible, a wider agreement in the House.

"The Government envisage the initial discussions on a bilateral basis, but will be fully prepared to consider suggestions to place substantive talks on a wider basis if the initial discussions suggest that this would be useful."

Mr. Foot emphasised that at this stage the Government would not wish to rule out any particular method that might prove a fruitful way of carrying matters forward.

Mr. Francis Pym, chief opposition spokesman on devolution, saw the invitation to "talks about talks" as second thoughts by the Government after the too hasty rejection of his earlier proposal for a constitutional convention.

The Conservative Party, he assured Mr. Foot, would take part in bilateral talks although they would regard them as no more than a preliminary to discussions on a wider basis.

Mr. Pym underlined the extent of the differing views within the parties on devolution and warned the Government that it must be prepared to abandon the Bill, despite the fact that Mr. Foot still seemed to be wedded to it.

Ignoring angry protests from the Scottish Nationalists Mr. David Steel, Liberal Leader, strongly contended that many of those who had voted for the Bill on second reading—including Liberal MPs—did not believe it would be widely supported in the House.

The Liberals, he pledged, would join in the discussions in a constructive and helpful way, as they had intended when first suggesting such talks in 1976.

Mr. Gordon Wilson, deputy leader of the Scottish Nationalists, bitterly complained that the guillotine defeat was yet another result of Scottish MPs being outvoted by the English. He regarded the talks now proposed by the Government as "meaningless nonsense."

There should be no time-wasting constitutional convention, he contended, for this would only prevent the implementation of the Government's election pledge to have a Scottish Parliament in existence as a result of devolution legislation being on the Statute Book this year.

Mr. Dafydd Thomas (Plaid Cymru, Merioneth) indignantly asserted that his party would have nothing to do with the talks "unless we have an assurance that the intention is to get the Bill through in the lifetime of this Parliament."

This brought one of the many responses from Mr. Foot indicating his desire to keep the Bill alive. "I understand your impatience," he told Mr. Thomas. "I am impatient, too, to see this Bill on the Statute Book."

Among those who reminded him of the political realities was ex-Cabinet colleague Mr. William Ross (Lab., Kilmarnock), the former Secretary of State for Scotland, with a sceptical comment that the talks might prove to be an exercise in futility.

"Unless there is consensus within the parties you'll never be able to get consensus between the parties," he said.

Another former Cabinet Minister, Mr. Robert Mellish, (Lab., Bermondsey) supported a widely expressed view that referendums should be held in Scotland and Wales to ascertain the views of the people primarily concerned, before any further attempt was made to make progress with the Bill.

Mr. Foot showed no enthusiasm for this approach, arguing that a vague referendum, not linked to precise proposals could prove a dangerous operation, which might even undermine the supremacy of the House of Commons.

A lot of persuading would be required to make him take a different view, he said, but this was another issue on which the Government would be prepared to listen to representations during the talks.

Shipbuilding yards to get £65m., says Kaufman

THE GOVERNMENT announced £65m. aid for shipbuilding yards—half to be available during the next six months—to help in obtaining orders.

Announcing the aid, in the Commons, Mr. Gerald Kaufman, Industry Minister of State, said that without swift action much of the U.K.'s merchant shipbuilding industry could close within two years.

Without swift action there would be heavy unemployment on the Clyde, the Tyne, the Wear and Tees and the Mersey, and in Belfast.

This was unacceptable to the Government. Shipbuilding industries all over the world were accepting the inevitability of contraction, and Britain could not be insulated from this world trend.

"The Government is determined to emerge from this crisis with a substantial and viable shipbuilding industry with secure long-term employment prospects."

MR. GERALD KAUFMAN

"The Government has decided to assist the yards in Britain to obtain orders. A sum of £65m. has been set aside for this purpose, of which half will be available during the next six months."

Selective

The cash limit covering all forms of assistance for building ships, would be terminated.

The fund would be operated selectively to secure the maximum benefit at least cost and consistent with the companies concerned, the scope for reducing costs, and improving performance.

Mr. Kaufman added that National Shipbuilders and Repairers Limited would have an important role in seeking new orders for the industry. "To complement this action, a major advance factory programme costing over £12m. has been put in hand in shipbuilding areas."

A redundancy scheme similar to British Steel Corporation's would be proposed for the industry to alleviate the human problems caused by the contraction of the industry.

"My immediate concern is to secure orders to promote the increased competitiveness needed to secure a future for the industry.

"These measures to alleviate the industrial and social effects of the world shipbuilding crisis are important, and must form part of a longer-term strategy of modernisation and rationalisation following upon public ownership."

Mr. John Biffen, Tory spokesman on shipbuilding, said the Government could have sought a programme of rationalisation within the shipbuilding industry at any time over the past two years. Instead it had turned to "discredited policies of nationalisation."

He asked for assurances that the £65m. would be allocated to yards with proven records of meeting delivery dates and established productivity and profitability standards.

Mr. Kaufman said the £65m. was "new money." "There had not previously been a sum allocated for assistance for shipbuilding in this way."

Assistance for shipbuilding had previously had to take its place and fight for an allocation of money under the Industry Act. On the industry's capacity, he said firmly: "We are not looking for a reduction in capacity. We have made clear to our colleagues in the Community, and others, that we refuse to accept an across-the-board reduction in capacity as far as the British shipbuilding industry is concerned."

Our industry had not increased its capacity, as others had done, in the past 30 years.

34 m etao shrd etao shr etao

Mr. Ernest Fernyhough (Lab., Jarrow) said it would have been a tragedy to let the industries go out of existence as they were likely to have done without assistance.

Mr. Kaufman: "We made it clear to our colleagues in the Community that it was not possible to await the achievement of a community policy on shipbuilding.

"Nevertheless, we are extremely anxious to achieve a joint policy. Between us we can achieve things, especially in relation to Japan and others in the Far East, which is not possible on our own.

"We are determined in this country to maintain a modern viable shipbuilding industry with long-term prospects for employees.

"This country is the third largest shipping owner in the world, and we cannot allow a situation to come about where we cannot supply our own ship owners."

He told Mr. Tom Urwin (Lab., Houghton-le-Spring) there would not be enough money to save all the jobs in the industry.

"We would need many hundreds of millions of pounds for that. We are acting, as an interim measure, to try to secure orders in the short term, particularly in the first part of the year to save some yards which would go under." About 50 per cent. of the yards would run out of work this year, without further orders, and few had work beyond 1978.

Mr. Robin Maxwell-Hyslop (C., Tiverton) said the Government had resisted Tory advice to use the 1972 Industry Act to bale out shipyards.

"Doesn't your damaging, and belated conversion to that view add to what is already obvious that the Government nationalisation measure is not the appropriate means? Isn't that why the government have deliberately delayed the nationalisation bill for nine months?"

But Mr. Kaufman said the Industry Act was suitable only for short-term assistance in particular cases.

Mr. Biffen told MPs that there was the prospect of reduced capacity and the Minister should admit it. He wanted to know what part the measures announced would play in a planned reduction.

Mr. Kaufman replied bluntly: "There will have to be contraction but we are not planning specific contraction and certainly not a percentage contraction.

"We wish to obtain the maximum productive capacity compatible with the order situation." There was no point in having over-capacity in a situation where orders were not available over a prolonged period.

Popular Budget, Healey hints

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A HINT that a popular Budget might be forthcoming on March 29 was given in the Commons yesterday by Mr. Denis Healey, Chancellor of the Exchequer, who appeared to have returned to his old cheerful form when he answered questions from MPs.

Teasing Sir Geoffrey Howe, the Conservative shadow Chancellor, he said he had noticed with increasing pleasure in recent weeks the Tory alarm that he might produce a popular Budget on this occasion.

He also gave a strong indication once again that the Budget will contain income tax cuts but, at the same time, he seemed to be looking favourably at the possibility of shifting some of the burden on to indirect taxation.

According to Mr. Healey, the prospects for containing the rate of inflation were brighter for the rest of this year than they appeared to be only a few months ago.

The situation was significantly better than in September last year. Inflation had risen in recent months and it might well rise a little more before it began to fall.

But he emphasised the pound sterling was now 15 cents up on its level of last October and interest rates had fallen three per cent. All of this made the outcome a great deal brighter for the rest of the year.

In broad terms, the rate of inflation in 1975 had been caused two-thirds by wage increases and one-third by import prices. Last year the proportions were about equal.

"This year, it is likely that import prices will play by far the larger role," he went on. "This strongly confirms that the pay policy has made a major contribution to getting this problem under control."

He told Mr. Ian Gow (Con., Eastbourne) that he was well aware of the feeling that the present level of tax was adversely affecting the efficiency of industry and effort. These matters were never out of his mind and he was well aware of their importance.

"I do hope to do something about this in the next Budget. But it does depend on a number of considerations which I have explained on several occasions."

This reply brought complaints from the Labour benches that if there was any question of shifting the burden on to indirect taxes then this would adversely affect the lower wage groups.

"I cannot agree," retorted Mr. Healey. "Certainly a switch to indirect taxation would raise prices. That goes without saying. Whether it would be more disadvantageous to lower income groups than a failure to raise thresholds for income-tax is more arguable."

He pointed out that VAT covered only 45 per cent. of all goods. In addition, some of the goods which were zero-rated ranked much higher in the spending patterns of the lower-paid section of the population.

In other exchanges, the Chancellor acknowledged the need to restore incentives. But he rejected Tory arguments that one of the ways of achieving this was to abolish dividend controls.

"There is no significant evidence that dividend control is prejudicial to investment or jobs. It is an essential condition of a satisfactory pay policy which I think the whole of industry agrees is the most single important factor for business confidence."

Throughout question time, the Opposition repeatedly emphasised that Mr. Healey would have to make exceptionally large cuts in taxation if the real burden were to be reduced.

They stressed that the tax thresholds had not been increased to keep pace with rising prices.

Sir Geoffrey Howe told the Chancellor "in order simply to lighten the real burden of taxation to what it was at the time of the Budget last year, you would have to give away £1,500m. merely in respect of personal allowances.

Miss Janet Fookes (Cons., Plymouth Drake) drew some startling statistics from Mr. Denzil Davies, Minister of State, Treasury, about the increases necessary in personal income-tax allowances in order to bring them back to their real value, as of February, 1974, the date when the Labour Government came to power.

Mr. Davies said that the allowance for a single person was £735 and for a married couple £1,085.

On the basis of the increase in prices up to January, 1977, these allowances would have to rise by £275 and £230 respectively, to compare with their 1974 value.

Similarly, there would have to be an increase of £180 for a single person aged over 65 and £140 for a couple over 65. He told Miss Fookes that any such increase would cost a total of £2.2bn.

Another Conservative, Mr. John MacGregor (South Norfolk), asked what the starting threshold would have to be to-day for a married man with two children in order to produce the equivalent net real income of a similar tax-payer on the £5,000 thshold in February, 1974.

He also wanted a similar figure based on 1961-62, the year the £5,000 surtax threshold was first established.

Mr. Davies said that on this basis, the starting threshold for such a man to-day would have to be £10,850 to compare with the February, 1974, figure, and £18,750 for the 1961-62 figure.

No pay free-for-all next year—Callaghan

BRITAIN must not have a wages free-for-all next year, if it is to be a just society, Mr. James Callaghan, the Prime Minister, told MPs. There must be flexibility because of the compression that had taken place in differentials.

But the social contract must be sustained and maintained. This was the best hope of reducing unemployment and overcoming inflation.

He was answering Mr. George Grant (Lab., Morpeth) who accused many sections of the Press of irresponsibility "in inciting the workers against the social contract."

Mr. James Prior, Opposition Employment spokesman, recalled that socialists had fought the 1974 elections on the slogan "Back to work with Labour." "What do you think about that now?" he challenged Mr. Callaghan.

Mr. Callaghan said he well recalled it "It was a time when there was a black-out in this Chamber, when the miners were out on strike and the whole of Britain was on a three-day week."

The Prime Minister also strongly hinted that President Amin, in the wake of world anger after the deaths of Ugandan Archbishop Luwum and two Ministers, would not be invited to the Queen's Silver Jubilee celebrations.

Treading carefully, the Prime Minister told MPs during Commons question time: "On this important and delicate question it is essential that one should reflect carefully in the answers I give. That is why I hesitate sometimes on these matters."

"There is a distinction, clearly, between attendance at the Commonwealth Conference, which is not by invitation—it is a universal invitation—and attendance at the Silver Jubilee celebrations.

"I would draw a distinction between these two and leave it there for the moment."

The Prime Minister had been drawn into making the remark after a comment by Labour backbencher, Mr. Greville Janner (Leicester W.) that President Amin was not taking the hint and that he intended to come to Britain for the Commonwealth Prime Ministers' Conference and the Silver Jubilee celebrations.

Mr. Janner: "This would be thoroughly repugnant to the entire British people and we should say so."

● Mrs. Margaret Thatcher, leader of the opposition, would be able to join in a NATO ... of an intelligence briefing ... allied political leaders, if she wished, the Prime Minister told Mr. Winston Churchill (C St... ford).

Mr. Churchill had referred to a statement by Mr. Brezhnev in 1973 which claimed that by 1... the Soviet Union would be in a position to dominate the rest of the world.

But Mr. Callaghan said the report had been evaluated at the time. The NATO alliance was "perfectly capable" of meeting any particular threat.

More money had been spent on defence in recent years but it was still thought by the allies that detente with the East was the best solution.

Mr. John Pardoe (L Cornwall N) said expenditure on military effort over the past 20 years by the Warsaw Pact powers and NATO powers, had been "almost identical." The problem was one of the efficiency of one compared with the other.

Mr. Callaghan replied that President Carter's approach to defence was one which commended itself to him. The budgets of the West and Warsaw Pact countries for ... expenditure were too high.

Written Answers

TREASURY

Mr. Ralph Howell (Con., Norfolk W.). What is the latest estimate of the total value of fiscal drag during the current fiscal year?

Mr. Robert Sheldon, Financial Secretary. Total fiscal drag can be defined as the difference between the actual yield of tax and what would have been raised if the average base rate had remained unchanged; that is if tax receipts had grown in line with money incomes only. Inland Revenue's latest estimate of the total value of fiscal drag in the income tax system during the fiscal year 1976-77 compared with 1975-76 is about £100m. Before the tax changes announced in the 1976 Spring Budget total fiscal drag would have been about £1,400m.; the Budget reduced this by £1,300m.

PRICES

Mr. Gwilym Roberts (Lab., Cannock). Will the Secretary of State now publish the firework injury statistics for 1976.

Mr. John Fraser, Minister of State. Statistics are now available of persons who received treatment at hospitals in England, Scotland and Wales for injuries caused by fireworks during the period October ... November 13, 1976. There was an overall decrease in firework injuries treated by hospitals of more than 10 per cent. ... the previous year, to the lowest number since these records were first kept. Statistics for comparable periods in 1972 ... 1968 (1969 for Scotland) ... the remarkable reduction in injuries from fireworks ... has been achieved over the period: England and Wales 3,537 (1968), 1,260 (1972), ... (1976). In Scotland: 90 (1969), 64 (1972), 22 (1976).

Pipes and drums

SIX OFFICERS, 72 soldiers, up to 100 bandsmen and drummers or pipers are required ... the Buckingham Palace ... Mr. Patrick Duffy, Under-Secretary of State, Defence told ... Neville Trotter (C., Tynemouth) in a Commons written reply.

10,000 teachers seeking jobs

A TOTAL of 10,340 teachers who successfully completed training last summer were estimated to be still seeking jobs in England and Wales in October last year, Mr. Gordon Oakes, Minister of State, Education and Science, told the Commons in a written reply to Mr. Bryan Davies (Lab., Enfield N.).

In September the figure was 7,187.

Self-service pain-killers

THERE IS to be no ban on self-service sales of pain killers, Mr. Roland Moyle, Health Minister of State, announced.

In a Commons written reply he told MPs he had accepted the revised advice of the Medicines Commission on the sale of analgesics, including aspirin.

"The health Ministers and I accept that there are no grounds at present for believing there is a correlation between the method of sale of a medicine and its role in accidental self-poisoning."

ENTERTAINMENT GUIDE

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ABC 1 & 2, SHAFTESBURY AVE. 836 8861. Sep. Perfs. ALL SEATS BKBLE. 1: WHITE ROCK (U). GENESIS (U). Wk. & Sun.: 2.00, 5.20, 8.20. Late show Sat. 11.20. 2: CROSS OF IRON (X). Wk. & Sun. 2.00, 5.10, 8.10. Late show Tonight & Sat. 11.10.

CASINO, Old Compton Street. 437 6877. BATTLE OF MIDWAY (A). IN SENSURROUND. Daily at 2.25, 5.30 and 8.35. All Seats £2. Late Show Saturday 11.15 p.m.

CURZON, Curzon Street, W.1. 499 3737. COUSIN COUSINE (AA). (English Sub-titles). Progs. daily at 2.30 (not Sun.). 4.25, 6.25 and 8.30. Last 3 weeks.

EMPIRE, Leicester Sq. 437 1234. Sep. perfs. All seats bookable for last perf., at the box office (11 am to 7 pm Mon.-Sat.) or by post. THE LAST TYCOON (AA). Progs. Daily 2.30, 5.30, 8.30. Late show Fri. & Sat. 11.30 pm.

LEICESTER SQUARE THEATRE (930 5252) NETWORK (AA). Sep. progs. Dly. 2.00, 5.15, 8.25. Late show Thurs., Fri. and Sat. 11.45. Seats bkble for 8.25 prog. Mon.-Fri. and all progs. Sat. and Sun. except late night show.

ODEON, Leicester Square. (930 6111.) THE PINK PANTHER STRIKES AGAIN (U). Sep. progs. Dly. 2.30, 5.30, 8.30. Late show Fri. and Sat. 11.45. Seats bkble. by post or at box office for Mon.-Fri. 8.30 prog. and Sat. and Sun. all progs. except late night show.

ODEON, Marble Arch. (723 2011/2.) Glenda Jackson in HEDDA (U). Sep. progs. Wk. 2.15, 5.15, 8.30. Sun. 4.00, 8.15. Late show Sat. 11.45. All seats bookable.

PLAZA 1 & 2, Lower Regent Street. 437 1234. Sep. perfs. All seats bookable for last eve. perf. Box Office 11 am to 7 pm (not Suns.) No 'phone bookings. 1. EMILY (X). Progs. Wkdays. 2.00, 4.05, 6.20, 8.40. Late show Sat. 11.15. 2. Jodie Foster is THE LITTLE GIRL WHO LIVES DOWN THE LANE (AA). Progs. Wkdys. 2.15, 4.15, 6.20, 8.30. Late show Sat. 11.15.

PRINCE CHARLES, Leic. Sq. 437 8181. Final week must end March 2. The One and Only Original EMMANUELLE (X). Sep. Perfs. Daily (inc. Sun.) 2.45, 6.15, 9.00. Late show Fri. and Sat. 11.45. Seats Bkble. Lic'd Bar. From March 3rd INSERTS (X). Box Office Now Open.

SCENE 1, 2, 3, 4, Leic. Sq. (Wardour St.) 439 4470. SCENE 1. Cont Perfs Dly 12.45. Lte Show Fri and Sat 11.40. THE TEXAS CHAIN SAW MASSACRE (X London). Progs. 12.45, 2.55, 5.05, 7.15, 9.25. Lte Show Fri. and Sat. 11.40. SCENE 2. Cont. Perfs. Dly. 12.40. Lte. Show Fri. and Sat. 11.25. SEBASTIANE (X) Plus Kenneth Angers Classic SCORPIO RISING (X). Progs. 12.40, 2.15, 4.30, 6.50, 9.05. Lte. Show Fri. and Sat. 11.45. SCENE 3. THE MESSAGE (A). Sep. Perfs. Dly. 12.40, 4.10, 7.50. Lte. Show Fri. and Sat. 11.30. SCENE 4. Cont Perfs Dly 12.45. Lte Show Fri and Sat 11.30 PICNIC AT HANGING ROCK (A) Progs 12.45, 2.50, 5.40, 8.35. Lte Show Fri and Sat 11.30.

STUDIO 1. Oxford Circus. 437 3300. DREAMS OF THIRTEEN (X). ... Whatever Turns You on. Progs. 1.00 (Except Sun.), 3.25, 5.55, 8.20.

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ART GALLERIES

AZIZA presents SALAH TAHER, Egypt's most celebrated artist (at Galerie Aziza, 7, Church Road, Wimbledon, S.W.19. Tel. 01-946 4727. Daily 10-6 from 8th-27th February, 1977, including Saturdays and Sundays.

BEDFORD HOUSE GALLERY, 106, Kensington Church St., W.8. EDDIT WOLFRAM paintings. Open Tues.-Sat. until Feb. 26. 10.00-1.00, 2.00-6.00.

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RADLETT GALLERY, 141, Watling St., Radlett, Herts. CHARLES LONGBOTHAM, RWS. Tue.-Sat. 10-5, closes 12 March.

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The Management Page

EDITED BY JOHN ELLIOTT

Christine Moir explains how a Sheffield engineering company set up in Europe with the help of a business school and some trainee bank managers

The wooing of La Bride Belge

...NE COMPLAINT often ...elled against British com...nies which are embarking on ...pansion is that they establish ...nufacturing bases abroad ...her than concentrating on ...port drives from the U.K. In ...ntrast, it is said, German ...nufacturers have tradition...y built up export markets ...ng German labour in their ...me factories.

The trend towards setting up ...erseas bases is more pro...unced at present because ...tish firms are seeking to off... the home slump and at the ...e time exploit the potential ... the Common Market. Of ...rse, such firms have positive ...uments to support their ...cy of going abroad, but fre...ntly there is a secondary ...ument which tends to be ...e negative.

...ne version of it comes from ... Scott Baker, chairman of ...dhouse and Rixson, a long-...blished Sheffield engineer... firm which has just acquired ...all dilapidated pipe flange ...ufacturing company in ...ium.

"We were having difficulty ... nationalism in European ...tries plus the old problems ...e British strike and deli... records," he explains.

...e proof of the wisdom of ... *purchase is still to come.* ... company was only acquired ...ay, 1975, and production ...ot start until December of ... year. The company hopes ...eak even by the end of ... year, even after taking ...ing costs into account, and ...r looks to be on target.

...xploiting

...at the purchase has shown ...r, however, is a flair—...nting to virtuosity—for ...ting some unusual man... resources which luck ...d *in the company's lap.* ...ide Belge (bride is French ...ange) ended up in the ...house and Rixson Group ... circuitous route which ...d with the Manchester ...ess School, involved two ...s of embryo bank mana... and took in a senior ...mics class at Brussels ...ersity.

...*y in 1975* Mr. Baker, who ...ly just become the chair... *f the group, was consider*...e possibility of expansion ...as in order to gain greater ...ation of European mar... and offset the British .... The first stroke of luck ...n a phone call from the ...ester Business School. It ... also a group of trainee bank ...ers from Barclays Bank ... wondered if Mr. Baker ...y task he could set them ...udy project.

...e young bank managers ...ut to studying the pro... *W & R makes*—forgings, ... springs and specialist ...—and they considered ... of them could be made ...ope. They came back ... report which recom...d embarking on forgings ...ge making in Belgium.

The package of attractions available in Belgium, according to their report, began with the fact that "the Belgian authorities welcome British manufacturers, particularly where they will increase employment." Any foreign company could set up without a special authorisation. Capital could be freely brought in and just as *freely* repatriated; or funds could be raised in Belgium through ordinary commercial banks and semi-public credit organisations. Other advantages included the availability of capital grants, interest-rate subsidies for capital investment in plant, Government guarantees to lenders and several fiscal concessions.

Terry Kirk

Mr. Scott James, chairman of Woodhouse and Rixson, beside a drop hammer at the company's Sheffield base from where a bid was launched for a small pipe flange manufacturer in Belgium.

Since the company would plan to use Belgium as a base from which to export, one other incentive was the Belgian VAT regulation, which provides for VAT exemption on imported raw materials if more than 50 per cent. of the finished product is finally exported. There was also a large labour pool — the result of high unemployment — and, to cap it all, Mr. Baker was already familiar with the country, having worked there for a time as a young engineer.

So Belgium looked the likeliest base. There the matter rested until the Manchester Business School had a second group of bank managers who needed useful employment, and turned to Mr. Baker to find another task. This time, the bank managers went to Belgium to find a forging or flange making company *which W and R* could buy for a total purchase price of between £250,000 and £500,000.

Among the list of companies thrown up by this research was a flange manufacturer called La Bride Industrielle, which had a forge about half an hour's drive south of Brussels, close to Waterloo and the main motorway *routes. La Bride had once* been Belgium's largest flange maker but following the death of the founder it had begun to run down. It had once employed 140 staff but by the beginning of 1975 there were only 25 *left. Mr. Baker describes the forge* as "the most run down and neglected plant I have ever seen."

One of the important contacts established by the Barclays Bank group was Mr. G. Samyn of Compagnie Bruxelles Lambert pour la Finance et l'Industrie, a subsidiary of Banque Lambert. He also lectured in economics at Brussels University.

Analyse

Mr. Samyn set his students to analyse La Bride Industrielle from the point of view of a potential purchaser. The news was bad. The company was close to liquidation and if W and R bought it as a going concern it would be locked into too many liabilities. An independent survey by the Brussels branch of Coopers and Lybrand, British accountants, confirmed this view.

Two Belgian regulations also seemed important. The first provided for compulsory redundancy payments which amount to three months' earnings per five years' service, plus holiday pay and accrued bonuses. In the case of La Bride there would have been a potential liability of B.Fr.8m. (£130,000). Secondly, when a Belgian company becomes *so run down that it loses* its capital, the Commercial Tribunal has the power to force the company to increase its paid-up capital to a figure equal to twice the accumulated deficit.

Following advice on these *potential problems, W & R withdrew* its offer. Not altogether surprisingly, shortly afterwards La Bride went into "concordat" (the equivalent of receivership). W & R returned with an offer for the assets which included a good drop hammer. The offer was accepted by the judge who, in Belgium, controls receiverships. By December, Mr. Baker says, "we found ourselves the proud possessors of a heap of *derelict plant and a factory* where all the services had been cut off."

Before that stage, however, part two of the economic class's study had gone into effect—how to finance the purchase. W & R's intention to re-establish the forge paralleled the Belgian Government's hopes for job *creation in Wallonia.* The company therefore qualified for a loan from the Société Nationale de Crédit à l'Industrie (the equivalent of Finance for Industry).

A 10-year loan of B.Frs.17m. was obtained at 9¼ per cent. interest, fixed for five years. Because of the job creation and because the company intended bringing in new plant, 75 per cent. of the loan also qualified *for interest relief of 5 per cent.* Later another loan of B.Frs.4m. to buy a second hammer and other plant was also obtained.

This part of the process went fast and smoothly—far faster than would have been likely in the U.K., *according to* Mr. Baker. He puts this down to the close connections between industry and the financial sector in Belgium. "There are no strangers in Brussels. Everybody knows one another," he comments.

The hitches occurred on the practical side of reopening the forge and starting production. Then Belgium's notorious bureaucracy slowed everything down. The electricity, for instance, took 10 days to be turned on again. After that it was a case of rebuilding the furnaces, rewiring the factory and starting test runs on flange production.

Pattern

Now, a year after the event, W and R is settling into the *Belgian pattern of doing things.* In the main any differences between the U.K. and Belgium have been relatively minor. Accounts need to be kept in a different way, since they are used for tax purposes. What is disclosed in the accounts is the basis of the tax bill. The redundancy liabilities tend to hold back fast *expansion of* permanent staff, yet the SNCI loan is based on a guarantee of minimum employment levels. Already the company has noted the much higher level of productivity from its Belgian staff: it could work out to be as much as 50 per cent. above normal U.K. capacity.

But Mr. Baker reserves the plaudits for the advice and negotiating skills of Banque Lambert. "If we'd tried to do this on our own, or used U.K. banks, we might not have pulled it off. Certainly it would have *taken much longer.*" Whether the purchase is really as trouble free as it seems must wait until the end of next year when La Bride should be making a contribution to group profits; by spearheading a drive into European flange markets. *At present* it certainly looks to be—in more ways than one—a classic text-book case.

NON-EXECUTIVE DIRECTORS

Independent report starts to take shape at BOC

BY NICHOLAS LESLIE

Leonard Burt

Mr. Dick Taverne (left), Mr. Ian Fraser (centre) and Mr. Michael Shanks, non-executive directors of BOC.

NON-EXECUTIVE directors are rarely afforded a platform from which they can present their views on the performance of either their company or its full time directors. A statement issued by the three, non-executive members of the Board of BOC International earlier this week in the latest report and accounts of the industrial gases group is therefore something of a novelty.

BOC has established a reputation in recent years for advocating a more open style of management with, for example, directors being made available to explain their actions to the outside world.

The three BOC non-executives are: Mr. Ian Fraser, who joined the Board in 1972 and who is deputy chairman of Lazards, the merchant bankers and financial advisers to BOC; Mr. Michael Shanks, who joined in February, 1976, and who is former director-general for social affairs in the EEC Commission; and Mr. Dick Taverne, the former Labour and Social Democrat MP for Lincoln who became a director in June, 1975.

In their statement the three pronounced themselves satisfied with the way the executive directors have discharged their responsibilities. They also explained how they see it as part of their role to present an independent review of the company's operations. They feel that they are not yet in a position to do this but expect to make such comments next year. This prompts the question of what services they perform for the company.

They fall into two categories. First there is Mr. Fraser who *describes himself as a "classical non-executive,"* which means that he has no office at the group's Hammersmith headquarters in West London and is not committed to give any particular amount of time to the company.

Then there are Mr. Taverne and Mr. Shanks, who both have offices and commit around one-quarter of their working time to the company and are financially rewarded accordingly. *They are also more in line with* the type of non-executive director which Mr. Leslie Smith, BOC's chairman, has maintained are needed for large multi-national companies.

They all feel that the role of a non-executive varies according to the company concerned and in BOC believe this means him complementing the skills of the executives, contributing objectivity, and helping the chairman to assess the claims on resources made by different parts of the group.

Mr. Fraser emphasises the objective contribution—the non-executive not being "in the daily scrimmage" of BOC has an ability to see the company as others see it and to do so in particular from the point of view of the shareholders. Thus, *each regards himself as the* "conscience of the shareholders in the Boardroom," under the requirements of the present Companies Act.

Mr. Taverne sees the benefits as being a combination of independence plus particular knowledge. With his background of politics and the law, Mr. Taverne hopes to be a monitor of what goes on and to contribute his own ideas.

He finds he spends half of his BOC time on particular BOC questions and the other half visiting BOC sites. "But I don't *think I would be able to make* a contribution if I was wholly dependent on the company," he comments—a sentiment with which the other two strongly concur.

Mr. Taverne has been doing a lot of work on the *strategy* for Airco International, the group's U.S. subsidiary which has been the centre of a long legal tussle with the U.S. courts and authorities regarding BOC's competitive position in America.

Prior to his stint at the EEC Commission, Mr. Shanks was a senior full time executive at BOC when he set up the company's group strategy office to deal with central accounting and investment and strategic *planning. Now he is involved* in the relationships between BOC and its foreign subsidiaries. "One of the problems is how to combine the maximum coherence and common strategy with their independence. I have *been putting in a lot of time on* this," he says.

Mr. Fraser, on the other hand, operates separately from the company, but is available to advise on financing, acquisitions and sales. "I am the sounding board for BOC in the City," he says. He attends main Board meetings about five times a year and several Board sub-committee meetings and, if he sees some sort of business which he feels BOC should enter, he lets the Board know.

Another key role for the non-executives is that they decide on the terms of service, salary levels, and pensions of the executive directors.

For their work at BOC, Mr. Taverne and Mr. Shanks are believed to earn about £10,000 a year, with Mr. Fraser being paid a more traditional non-executive's sum of about £2,500. In their analysis of the group in *next year's report and accounts,* a clearer definition of what each does for the company may well emerge.

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FRIDAY, FEBRUARY 25, 1977

Government by a minority

THE LESSON of the Government's defeat on Tuesday night seems to be sinking in. It is this: a party that is elected to office by less than four out of ten of the voters cannot govern for an indefinite period as if it enjoyed large-scale popular support, especially when its initial overall majority in the House of Commons dwindles away to the point of virtual non-existence. This important principle has not been fully understood during the past three years; the victory of the House of Commons over the motion to cut short debate on the Bill to establish devolved assemblies in Scotland and Wales has begun to make it clear.

Conclusive

The Government was as surprised by the size of the majority against it as everyone else. If the guillotine motion had been voted down by a majority of five or six it might have seemed reasonable to soldier on in the hope that many Labour Party recalcitrants could be won over after a few more weeks of debate. But a defeat by 29 votes is fairly conclusive, especially when it is accompanied by the defection of some 40 of the Government's own supporters.

One option that seemed to some people to be open to the Government was the calling of a referendum. The idea was that if the people of Scotland (and possibly Wales) voted "yes" to a question favourable to the Bill then a significant number of its opponents in Parliament would be won over. The trouble with this theory is that it founders on the rock that sinks most referenda: what is to be the question? The size of the votes for and against would change with every alteration in the wording, and the whole exercise would soon be frustrated by the arguments to which that would give rise.

Thus the Government has been forced to accept the Conservative Opposition's offer of all-party talks on devolution. It is not without irony that the man who had to announce this, Mr. Michael Foot, has until now shown himself to be among the most inflexible of Leaders of the House, refusing compromise at all times and insisting on putting forward the Labour Party's legislation as if the Government of which he is a part enjoyed a genuine majority in the House and in the country.

Because of this inbuilt attitude the progress of the all-party talks may be slow. In some other countries — and in Britain at other times — the art of winning widespread agreement before putting forward major constitutional changes would be well understood; in the current mood of partisan tub-thumping at Westminster it may have to be learned again from scratch.

The talks would be difficult enough for that reason alone, but there is an added awkwardness in this instance because all three national parties were split in their vote on Tuesday night, and the two major parties are divided in their approach to devolution. The novel experience of trying to reach agreement in principle may prove to be extremely taxing.

Inauspicious

The problem is further compounded by the lack of conviction of many of the protagonists. In Scotland devolution may seem important as a good in itself; in London many of its proponents, especially on the Government Front benches, have been motivated by a simple desire to avoid defeat for their party at the next election. This is not an auspicious starting-point for a debate on a change in the British constitution; if the all-party talks do no more than expose that serious flaw in the general reasoning so far they will be worthwhile.

Too dangerous a gamble

THE NATIONAL Institute of Economic and Social Research has not altered its view of likely developments this year and next at all drastically because of the IMF loan and the change in attitude to sterling which the Letter of Intent and the safety-net arrangement for the sterling balances has helped to bring about: "We discounted in November the exaggerated gloom, and now discount the switch to exaggerated optimism which the agreement seems to have produced." In fact, the National Institute is notably more optimistic than the Treasury in its view that there will be a current account surplus on the balance of payments this year of £300-400m. (the disagreement is partly due to different assumptions about the movement of the terms of trade) and in its assessment of the intervention that will be needed in 1978 to prevent an appreciable hardening of the exchange rate. It is less optimistic in its view of the likely growth of output this year and next, but there is probably not all that much difference between the forecasters about unemployment—likely to go on rising at least during 1977.

When it comes to policy recommendations, the National Institute shows itself only too aware of the Government's limited scope for manoeuvre. Its emphasis on the importance of the industrial strategy, for example, is balanced by a recognition that this is a long-term policy, and it is difficult to take too seriously its suggestion that import controls against persistent creditors (notably Germany) should be considered, since these questions are soon to be discussed internationally.

Exchange rate

In monetary matters, like interest and exchange rate policy, the National Institute gives the impression of somebody wandering reluctantly in alien territory. It clearly believes that the authorities mismanaged things in 1976, but it has no particularly new ideas of its own to put forward. Thus, although it believes that the commitment to sell large volumes of stock to the non-bank public will prevent the fall in interest rates it would like to see, it does not suggest introducing new types of debt instrument but points out that even a fall in sales of stock during 1978 will probably still leave the Government within its monetary commitments. As to the exchange rate, though we agree with the Institute that it should not be allowed to appreciate too sharply, we think that the long-term risk is exaggerated. The Institute itself points out that, crises apart, the depreciation of sterling last year probably did little more than maintain U.K. competitiveness.

It is, however, with the Institute's ideas about the next stage of pay policy, which are the most immediately practical, that we disagree most strongly. Nobody doubts that, because of the distortions which restraint has already caused, because of falling real incomes and rising unemployment, agreement will be particularly difficult to reach this time. The Institute points out that a liberal interpretation of the general demands for greater flexibility that have already been made could produce an average earnings increase of up to 20 per cent., almost without reference to a basic norm.

£2½bn. tax cut

It therefore suggests (what is unexceptionable) that the basic norm should be as low as possible and that a firm agreement is reached before any tax cut is made: for its main forecast it assumes a tax cut of £800m. and a 12 per cent. rise in earnings. But it then adds the suggestion that there might be a much larger tax cut of say £2½bn. combined with a rise in earnings of only 6 per cent.: the immediate effects on the economy would be small except for the beneficial effect on inflation, which would have major subsequent effects on real incomes, employment and the balance of payments. "It would be worth taking risks on the PSBR ceiling," according to the Institute, "in order to secure a palpably successful attack on inflation." Perhaps. But its own proposal involves what would look like a breach of the Letter of Intent to secure an agreement from the TUC whose practical effect would not be seen until months later. In conditions of greater pay flexibility, a "palpably successful" attack on inflation is not to be achieved at a stroke.

Slow progress towards farm mechanisation: tractors on a farm at Kashipur, 300 miles from Delhi, and oxen providing the power for extracting sugar from cane.

The harvest is down as an election looms in March. **David Housego,** Asia Correspondent, reports.

Farming calls India's economic tune

MRS. GANDHI'S calling of a March election has put back the budget by a couple of months and with it the publication of the Government's annual review of the economy. There may be no connection between the two but certainly the major indicators for fiscal 1976-77 look a lot less hopeful than they did a year ago after the ample monsoon that blessed the initial months of emergency rule.

The grain harvest is likely to be 5 per cent. down at 112m. tonnes as a result of poor winter rains. Agriculture accounts for nearly half the national product. So even the anticipated 10 per cent. expansion in industrial output—by far the most impressive statistics of the year—will only bring the overall growth rate up to a meagre 2 per cent. At that rate income per head will have fallen or at the best remained static. Meanwhile prices are likely to be up 12 per cent. And unemployment continues its steady climb passing the 10m. mark on the Government's artificial index of those registered at labour exchanges.

Buffer stock

To a large extent these figures reflect no more than that India is still a country whose economy is dictated by the monsoon and that 1976-77 has been an average year following an exceptionally good one. The record crop last year was mainly responsible for the 6 per cent. growth in national product. It was also probably more responsible for bringing about an actual drop in prices than Mrs. Gandhi's deflationary package.

Mrs. Gandhi can point however with satisfaction to a 17m. tonne buffer stock of grain which will make it easier to withstand the next harvest failure. Largely as a result of her crackdown on currency blackmarketeers which has resulted in remittances from abroad being channelled through the banks, the foreign exchange reserves have leapt more than twofold in a year to $2.6bn. The trade gap is now negligible after the massive deficits that followed the oil crisis. India is already feeling the benefits of its expanding domestic production of crude from Bombay High and other fields which could account for 75-80 per cent. of consumption by 1980.

Industry has been able to count on a steady supply of raw materials and components. A more liberal import policy, less bureaucratic controls, the swifter movement of freight across the country and a marked improvement in power generation have largely freed it from the bottlenecks that were disrupting output. At many plants productivity has increased over the last 20 months following the ban on strikes and hence the drop in the number of manhours lost.

Against this, however, much of the output has remained unsold. Steel mills are holding 1m. tons of undistributed stocks from a total production of just over 8m. tons and in effect dumping abroad a further 1¼m. tons. Coal output is about 10m. tons of which the domestic market is currently absorbing only 6-7m. tons. In the private sector there are continuous reports of manufacturers allowing stocks to pile up rather than risk the trouble that could come from laying off more labour.

Exports, up 31 per cent. in March-December as against the corresponding period last year and a slight improvement on recent trends, have been taking up some of this unwanted output. The steel and coal authorities have both been pushing hard on foreign sales. So has the State dominated engineering industry with the giants like Bharat Heavy Electricals—which recently won a $115m. turnkey project for a power plant in Libya—commanding increasing respect for quality and the competitiveness of their price. By linking up in making bids for overseas contracts, and seeking partners from third countries for joint venture projects in the Middle East and South-east Asia, the engineering industry is counting on a substantial flow of orders from abroad in the coming years.

Nonetheless only 10 per cent. of its production is currently exported. Operating capacity averages a low 55-60 per cent. with many plants—steel pipes, automobiles, cranes and rail wagons—working at under 50 per cent. Textiles and jute are still classified as "sick." The construction sector is just beginning to recover from the slump in private house building that followed Mrs. Gandhi's clampdown on tax dodgers who were putting their wealth into opulent homes. Manufacturers of fridges, air conditioners, television sets and other consumer durables were hit by the same measure. The most hopeful sign over the last three months is that at last there seems to be some pick up in purchases of basic consumer goods.

But at root industry is still struggling with the continuing sluggishness of domestic demand. After an increase in planned public sector outlays in 1976-77 of 31.6 per cent.—accounting for two-thirds of investment—and the bumper harvest of last year, a far sharper growth in demand had been expected. On balance the evidence is that the planned expenditure has been dispersed if one offsets overspending last year against some shortfall this. Thus the main reason for slack demand would seem to be that the higher grain yields of 1975/76 have not been translated into higher agricultural incomes. This was probably due to both a fall in the prices realised by farmers and to an increase in the cost of such purchases as fertilisers, seeds, fuel and farm equipment.

So what with the drop in the grain crop this year and the excess capacity in industry, elections have sparked off new there are no firm signs of India's ... pulling out of the trough ... has characterised most of the last ten years of virtually stagnant economic growth and a decline in income per head.

Savings and investment after climbing sharply in the early 1960s have not broken through the plateau of 14.5 per cent. and 16 per cent. respectively of gross domestic product that has been periodically touched in recent years. For the immediate future, the odds on a third good monsoon (this year it was unevenly spread through the country with light winter rains) are slim if past experience is any guide.

The private sector is anticipating a renewal of labour agitation and pressure for higher wages once the elections are over. Corporate profits have been generally down after the windfall gains from inventories in 1974-75 at a time of high inflation. This, together with dividend restraint has left share prices depressed. Nor of the incentives announced in the last budget to encourage private investment appear to have had much effect. The gains that business threw round Mrs. Gandhi's neck were for cutting the personal tax rate from 97.3 per cent. to 66 per cent.

Favourable shift

The budget was taken however as indicating a favourable shift in policy towards private enterprise that may not have been totally in line with Mrs. Gandhi's feelings but were with those of her son Sanjay. "I like Sanjay because he is pragmatic and a rightist," said a prominent Calcutta businessman while Sanjay's star still rode high. Had this trend been consolidated, no doubt business confidence would have bounded apace. But Sanjay's powers have been clipped and the uncertainties surrounding the elections have sparked off new fears.

Mrs. Gandhi is understandably playing up last year's economic statistics in her campaign rather than peering over the horizon. The opposition Janata Party is gaining such mileage out of attacking the personal rule of Mrs. Gandhi that it is making scant effort to spell out its vague economic programme.

Historic trend

In the long run there is little chance of India achieving its goal of a 4.5-5.5 per cent. annual growth rate without bumping up agricultural production from its historic trend rate of 2.3 per cent. to 3-3.5 per cent. That would need a far greater concentration on boosting the output of small scale holdings in an interrelated programme to encourage higher yields, employment, income and hence rural purchasing power. But extending the amount of land under irrigation — the benchmark of agricultural growth in India—has been carried through with painful slowness and the utilisation of it is still poor. There is no sign that Mrs. Gandhi has been contemplating a crash programme of land development or that this ranks high on the opposition's list of priorities.

What has been preoccupying Mrs. Gandhi has been the renewal of inflation because of the echoes it carries of the social unrest after wholesale prices jumped by 28 per cent. in 1974-75. But that unusual price increase was caused by the combination of a series of special factors—continuing dislocation after the war with Pakistan, the energy crisis, poor harvests, the world commodity boom and heavy deficit financing.

The 14 per cent. growth in money supply in the period March-December 1976 was almost entirely due to the inflow of remittances from abroad and the massive purchasing of grain as part of the Government's procurement policy. The deficit is being kept to a minimum. The real cause of the rise in the price index has been shortages of a small number of commodities like edible oil which recorded a 38 per cent. price increase between March and December, and cotton (60 per cent.).

Nonetheless, Mrs. Gandhi has been responding to the present bout of inflation with the same type of deflationary measures applied in 1974-75 but at a time when policy now is officially to encourage investment. Recent measures requiring the banks to increase their statutory deposits have tightened the credit squeeze. With interest rates at 16 per cent. and a good deal of working capital tied up in stocks, companies justifiably complain that they are being discouraged from the expansion that the Government says it would like them to undertake. Certainly the Government is keeping a careful watch to prevent over spending by departments, individual states and there is a possibility that next year's public investment programme might be pruned.

There are some lone voices in Delhi who argue that greater dynamism could be injected into the economy by utilising the grain and foreign exchange reserves. There is no apparent reason why 17m. tonnes is the optimum buffer stock. Food could be used as part payment for public works programmes generating more employment. The foreign exchange makes possible a speeding up of the import of new foreign technology into some of India's older industries or heavier investment in ports, shipping, oil and gas—all of which would have a future impact on the balance of payments. But with uncertainty over what direction India's economy should take the next five to ten years timidity has the upper hand.

MEN AND MATTERS

Ex-safeblower tells all

Fleet Street's Punch Tavern was the rather unusual venue for the launch of a new Pelican paperback Prisoners in Revolt, written by Mike Fitzgerald one-time publicity officer for the first British prisoners union, Preservation of the Rights of Prisoners, PROP. The book traces the background to Britain's prison revolts which brought into the open the whole question of overcrowding, and living conditions, recidivity, penal policy and all the problems connected with prison life in a changing society saddled with a stock of ageing, inadequate prisons.

But what started as a fairly conventional book launch also revealed the existence of a bitter internal rivalry within PROP itself thanks to the presence of Dick Pooley, a 49 year-old former safe-blower who accuses Pelican of having plagiarised his own book on the subject, which Pelican refused to publish, partly because they say they found it "sadly lifeless" and partly because of possible entanglement with the libel laws.

Pooley was the founder of PROP back in 1971 when on parole after serving 20 years in prison and having collected sentences totalling 46 years. His career started by stealing bread when a hungry evacuee, progressing through professional training at Wandsworth, where he received basic training in safe-blowing with his future partner, and ended when Judge Michael Argyle sentenced him for ten years at Lincoln and described him as one of the country's top safe blowers. This title, he decided, labelled him for life in the eyes of the police, and he resolved to go straight, helped by his second wife. His first book, The Evacuee, was described by the Times Literary Supplement as on a par with the best post-war proletarian literature.

Pooley was a leading figure in the 1972 Hull prison revolt and comments "to my eternal shame, I was pushed to the front by the media, while others were punished. All I wanted to do," he says, "was inform the public that things were not well inside HM prisons, and we did manage, at last, to get lawyers, MPs and the Press interested." Now he runs a small hostel for released prisoners in Hull, needs financial assistance to keep the hostel going and continues to press, above all, for more public awareness of the state of Britain's gaols.

Silence is golden

Moscow Narodny Bank is a model of discretion. Their densely-packed nine-page report on the gold market in 1976-77 not only manages to avoid any mention of Russian gold sales, it is also bare of even the slightest hint that the Soviet Union produces gold, let alone sells it abroad. You can hunt in vain for the words Russian, Soviet, even socialist.

This is somewhat odd in view of three facts. One, that the Soviet Union produces more gold than anyone else, except South Africa (about which Narodny writes screeds) two, that it supplies over 200 tons a year to western bullion markets; three, that the Soviet Union's enormous deficit with the West (some $3bn. last year) is highly relevant to the gold market's outlook.

One might add that Moscow Narodny is part-owned by the Soviet Bank for Foreign Trade, which is responsible for all Soviet bullion sales. So if anyone ought to know about Russian gold, it's Moscow Narodny.

But that is the trouble. There is so little information available about Russian gold, that anything the bank says on the subject is taken as a mystic pronouncement to be scoured for meaning. Incautious words have, in the past, wiped several dollars off the gold price in one morning.

So, it can be taken as read that as the Soviet Union wants to maintain an orderly gold market, the bank prefers to say nothing at all.

Does not this make its gold report a little less than complete? Perhaps. But Moscow Narodny believes that its status, plus the thoroughness of what it does publish, still makes its report one of the best available.

So how does the bank view the gold market's future? According to the report: "With quiet optimism."

"Thanks to the EEC Agricultural Policy we can have both guns and butter."

Sinking ship

The British Shipbuilders Organising Committee, set up by Graham Day to prepare for shipbuilding nationalisation and then run the new state industry afterwards, has taken a decided list to starboard with the departure yesterday of Tony Peers. Peers, the director designate for industrial relations, joined British Shipbuilders ten months ago. Like Chief Executive designate Day, who quit last December, Peers grew tired of cooling his heels waiting for the nationalisation Bill to get through its Parliamentary obstacle course and has decided to go back into the engineering industry from whence he came.

Peers was formerly industrial relations director for the Engineering Employers Federation. Now he has accepted a post with Babcock and Wilcox as the group's first board member exclusively responsible for industrial relations.

Meanwhile .....

Back on dry land, property company MEPC reports the joint appointment of ex-Hill Samuel man David Davies and Christopher Benson as Vice Chairmen under Sir Joe Thorley. One of the motives behind this dual promotion is to demonstrate that all is sweetness and light at the top level of the company after persistent rumours, strongly denied by MEPC, of a board room split between the finance and property men. "Just not true," said Benson. "David and I get on well and have done ever since he joined."

Peanut brittle

An American banker in London has just passed on this account of the Carter style in economic matters. Treasury Secretary Michael Blumenthal and Chairman of the council of economic advisers Charles Schultze apparently prepared an 800 page document on the economy. Carter reacted "Hell, I can't read all this. Summarise it for me." Back came the summary. "There is no such thing as a free lunch."

Observer

FINANCIAL TIMES SURVEY

Friday February 25 1977

KUWAIT

Building
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nthony McDermott

Kuwait is continuing to build up massive surpluses from oil earnings, but it is now feeling the need to reassess the constitutional basis of the State and its long-term development strategy.

BASIC STATISTICS	
Area	6,880 sq. miles
Population	1m.
GNP	KD3.2bn.
TRADE (1975)	
Imports	KD2.5bn.
Exports	KD723m.
Imports from U.K.	£99.2m.
Exports to U.K.	£419m.
TRADE (1976 to end Nov.)	
Imports from U.K.	£130m.
Exports to U.K.	£[illegible]11m.
Currency: Dinar	£1=KD0.492
	$1=KD0.29

'WAIT IS making more of celebrations to-day of its tional Day—the sixteenth iversary of independence—n ever before. At dusk ngs of lights in the national ours of green, red, *black and te* come on round the main ldings. The air force has weeks been scattering eons with practice low level hts for The Day. On the face, Kuwaitis will be celeting with the confidence they are the richest people *earth—earning $11,510 each* 1975 if you take the whole ulation, or a staggering 500 if you take only Kuwaiti zens—and with assets total- more than $20bn. They y an influence internation- out of all proportion to r size.

t the same time Kuwait is rly entering a period of *ound* reassessment, both tically and economically. e policies show no sign of ging. Its aid to other tries directly, through its Kuwait Fund for Arab nomic Development (by no s limited any more to Arab world, and now ated by other oil producers ng up aid organisations) or gh multilateral organisa- accounts for as much as 8 cent. of its GDP, a figure hame industrialised coun- and a policy which helps win friends and keep tous enemies at bay.

therto, grappling with diffi- es of the onslaught of th and enjoying simul- ously political freedom on le matched only in Lebanon re the civil war. had been ely a heady, even pioneer- experience. The first 15 *had* been partly devoted *rvival* and the establish- of Kuwait as a truly independent entity, and partly to physical construction of the basics of the State from roads and houses to the creation of welfare systems, and the complete takeover of the country's natural resources. But the next stage will be more complex, involve higher technology, and cost more. Kuwait will need more, not fewer, non-Kuwaitis to run and build its State. As the younger and better-educated generation of Kuwaitis emerge, there is likely *to be criticism of* the way their elders coped with the difficult first years. Their challenge could well extend to questioning the balance between traditional and modern systems of Government, which the Sabah family has tried carefully to cultivate.

Shocks

The last 12 months have *brought two shocks to* Kuwait: the civil war in Lebanon, and the OPEC meeting in Doha last December. The unexpected closing *of* the lively National Assembly and the restrictions imposed on the Press since last August were certainly enacted *partially for domestic reasons.* But the slaughter in Lebanon showed how an apparently prosperous society can tear itself apart if its internal strains and divisions are blithely ignored. Kuwait is a completely different state, but the general point was taken. *More germane* was the Government's worry that the country might suffer from the acute rifts in the Arab world caused by Syria's involvement in the war and its drive against the Palestinians. These could easily be directly reflected in Kuwait's large Arab population. This in turn leads to the prob*lem of Kuwaitis being a minor*ity with abundant privileges and economic benefits in their own country. These inequalities provide ammunition for even the mildest radicals, whose attitudes are in conflict with the growing influence of Saudi Arabia throughout the Arab world. This influence shows itself in Kuwait through Islamic values *making one of their periodical* reassertions, superficially identifiable in a mosque building boom and the ban imposed in November on the sale of pork.

The *social services which* the Kuwaitis enjoy are currently under scrutiny. Some means of spreading wealth, the payment of generous salaries and wages to overstaffed Government offices, have become involved in the controversy about civil servants working for the Government in the morning and then moonlighting in the afternoon. *The sale of land* at concessionary prices to Kuwaitis, together with loans on easy terms for the building of houses, has helped to fuel local inflation. The floating of the Burgan Bank to encourage small shareholders almost ended in farce when rich Kuwaitis began buying up other Kuwaitis' rights to buy shares and thereby to get round the well-meaning legislation aimed at involving the poorer shareholder.

Sheikh Sabah al-Salim al-Sabah.

The health service, however, is in need of reorganisation and more funds, and the Government is currently involved in an extensive and overdue hospital building programme. But behind these considerations lies the realisation that for the next stage of Kuwait's comprehensive development, the political structure, in particular the constitution, was no longer suitable. Through the terms of the suspension decrees the Government has given itself four years *to come up with a new formula.*

The split in OPEC over prices, in which Kuwait stayed with the majority of 11 who opted for a 10 per cent. rise in the price of oil, to be followed by another 5 per cent. *in July,* put Kuwait in the rare position of being at odds with its influential neighbour Saudi *Arabia (and for the first time* making its crude oil more expensive than its neighbour's comparative crude).

One immediate effect is to *make it likely* that Kuwait's income will drop. It will not be in proportions large enough to halt development or to reduce the size of the amounts hived off to the State General Reserves, which are used as a long-term pension fund for Kuwaitis in the decades to come. But for Kuwait, the OPEC decision emphasised what the Planning Board (now Ministry) had been aware of for some time, that, even with enormous *revenues guaranteed, uncertain*ties existed and that this made more pressing a more coherent and comprehensive approach to planning. So far the outlines of a plan to spend $15.2bn. between 1976-77 and 1980-81 has only indicated Government *priorities in spending.* The major direction of development has already been settled by the decision to set up the Reserve Fund for Future Generations, and to establish a huge LPG plant to which would be tied to olefins and aromatics projects.

At the heart of these decisions lies the desire by the Kuwaitis to keep the number of non-Kuwaitis, who do not enjoy extensive free social services and whose earnings have been hit by inflation, to a minimum —although projections *from* the Planning Ministry indicate that the proportion of Kuwaiti to *non-Kuwaiti labour will remain* 30-70.

Kuwait's foreign policy is dictated by its small size and extreme vulnerability to any expanding neighbour, and by its role as a trading nation. Its reaction is quite simply to be *friendly with as many nations* as possible and to spread the net of its relationships as broadly as possible so that there is an even balance throughout the world of countries interested in being on good terms and, in difficulties, in its continuing existence as a separate State.

Reassertion

The KFAED and Kuwait's involvement in a large number of international and multilateral *financial organisations* is this policy in one form. Another is its constant reassertion of its *belief* in the principles of non-alignment, and this can be seen in the constant stream of visitors from every continent of the developing world. It means, too, that it has relations with countries from the East Bloc (unlike Saudi Arabia) and keeps, *at least in public,* its enthusiasm for the United States muted. Within the Arab world, it pledges full support for the Palestine liberation organisation, and it has moved up into the ranks of the senior trusted mediators in inter-Arab disputes. It played a genuinely invaluable role in mediating between Egypt and Syria to end the Lebanese civil war. As the only Peninsular State to have diplomatic relations with Aden, Kuwait was able to mediate between Aden and Iran over the return of a pilot shot down as a result of Iran's involvement in Oman's Dhofar Province.

If Kuwait's activities in the Arab world at large have run smoothly, it is in the Gulf area that the most threatening problems have occurred. Kuwait feels squeezed between Saudi Arabia and Iran. But the tensest border is with Iraq. The Baghdad daily al-Ba'ath was vociferously (and hypocritically) *outraged* by the closing of the National Assembly. Simultaneously reports of the presence of Iraqi troops at three or four points over the disputed frontier line were revived. Since then there has been concern for the islands of Warba and Bubiyan, which Iraq would like to possess to increase the area of its Gulf shoreline. But Kuwait has not *forgotten* the Iraqi threats of 1961 and the border clashes of 1973. At the moment the dispute is in suspense. Iraq's argument stems from the belief that border arrangements made while Kuwait was under British sovereignty were invalid.

Kuwait points to the fact that the borders had been generally agreed by successive governments and that General Qassim in 1958 asked to establish a con-

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Oil revenues, although they declined last year, are likely to remain the linch-pin of Kuwait's economy for the foreseeable future. Huge Government spending programmes and growing private sector activity have helped to produce a high level of inflation, and there is concern over the very high cost of living in the State.

The economy

IT IS A sign of the times that at the beginning of the year Abdel-Rahman al-Atiqi, the Kuwaiti Finance Minister, announced that his Government was considering the application of "strict austerity measures."

Earlier in July he had been prophesying more doom by talking of the prospect of taxes and deficit financing within five years. And senior Finance Ministry officials talk of there being no surplus in the budget this year.

To some extent, this sort of *talk is artificial. The "austerity"* threat was aimed at the speculators in real estate and on the stockmarket. If oil production were to slip drastically, then it is just possible that there would be no surplus—but only after drawing off as is required by law about KD1bn. for the General State Reserve. These statements are rather more indicative of a general need to assess closely just how the Government is running the economy.

The decision at the December OPEC meeting to adopt a two-tier price system for crude oil served to emphasise the extent of the State's dependence on oil. Some diversification has taken place, but official figures for the GDP by industrial origin shows that the mining and quarrying sector provided 54.4 per cent. in 1967-68 and this had risen in 1973-74 to 68.5 per cent.

With the subsequent further oil price rises, this proportion will have increased even more. In the 1976-77 budget, taxes on the net income and profits of oil companies, oil royalties and the sales of crude oil will provide KD2.1bn. or 85.3 per cent. towards the Government's estimated revenue for 1976-77 (compared with 83.5 per cent. in 1971-72).

The key figures of the economy remain sensitive to oil earnings. In 1975 they were reckoned at $8.7bn., and last year at $7.2bn. Because of a fall in revenue, preliminary estimates for the GDP indicate that it fell by 5.9 per cent. from KD3.2bn. in 1974-75 to WD3.0bn. one year later. In Kuwait's balance of payments for 1975, oil exports accounted for 94.9 per cent. of all exports, and a current account surplus of KD1.7bn. was recorded. According to a preliminary IMF survey Kuwait in *mid-1976 had* a balance of payments surplus equivalent to 44m. SDRs. ($51m.).

Accumulated earnings invested abroad and at home have probably reached about $20bn., and according to official statistics the surplus of the nation on current transaction involving trade, property and entrepreneurial income amounted to KD1.9bn., and the income in 1975 from foreign investment KD2.3bn.

The Government has never succeeded in spending all its allocations. Some clue as to the sums officially acknowledged as unspent come under one heading called, "Amount unlikely to be spent," totalling *KD8.6m., and another named* "unclassified expenses and transferable payments," which amount to KD431.7m. Other sources estimated that the cash surplus at the end of June last year amounted to $4bn.

It is an irony that in an economy in which market forces are so blatantly at play, the government continues to generate the bulk of economic activity. The private sector has tended, particularly in the past year, to seek quick returns on the stock market and in real estate. One indicator of this has been the very rapid growth in domestic savings, which rose by 32 per cent. to KD693.4m. in September last year from KD525.4m. one year earlier.

Bank credits have been rising at ever increasing rates. According to the Central Bank, they rose between September 1975 and September 1976 from KD411.2m. to KD769.4m. by 87.1 per cent., while from the end of 1974 to the end of 1975 they had risen by only 32 per cent.

At September 1976, KD246.5m., 32.5 per cent., went on financing trade. KD168.9m., 22.3 per cent., went on financial and other services, personal loans amounting to KD152.8m. took 20.2 per cent., KD138.7m. or 18.3 per cent. went towards construction, and a mere 6.7 per cent.—KD50.4m.—went acknowledged now to have on industry, agriculture and fishery.

But the most spectacular guide to the get-richest-fastest rush, which incidentally has cooled considerably in the past three or four months, are the rates at which the credit in each sector has risen over the year ending last September. Financial and other services increased by 198.4 per cent., personal loans by 118.6 per cent., finance for trade by 59.1 per cent. and construction by 46.2 per cent. It was in part to stem this sort of speculative spending, which officials acknowledge had reached dangerous proportions, and partly to try to channel some of this money into investments which were less immediately productive but more beneficial *for the economy in the long* run, that on February 13 the Council of Ministers announced a new series of interest rates.

Capital formation indicates the amount of economic activity generated by the Government. In 1972-73 gross capital formation amounted to KD134m., to which the private and semi-private sectors contributed KD52m. or 33.8 per cent. This percentage rose to 36.7 the folowing year, but in 1974-75 it amounted to KD57m. or 35 per cent. out of KD163m., and throughout this period public capital increased at an average rate of three times faster than private capital formation.

Activity

The Government's activities can also be measured by the fact that it holds at least 50 per cent. shareholdings—outside the hydrocarbons sector—in The Gulf Bank, Kuwait Transport Company, Kuwait Flour Mills Company, Gulf Insurance Company, Kuwait Shipping Company, Kuwait Metal Pipes Company, National Real Estate Company and the Burgan Bank.

At the end of 1975, the Government had committed KD268.8m. to support local companies, of which KD185.2m. was equity participation and KD83.6m. in loans.

The Government has been trying to stimulate productive *private sector activity not only* through financial controls on interest rates but also through the Industrial Bank of Kuwait. During the first 21 months of its operations from March, 1974, it financed 17 projects with loans amounting to KD15m. Its operations expanded in 1976 to cover 22 projects, costing a total of KD52.6m., towards which the IBK was supplying finance of KD23m. Ten projects were concerned with construction materials, ranging from insulating materials to aluminium ceilings, tiling, *prefabricated* concrete, and cement blocks. This is in line with involving the private sector in both a potentially profitable market, and also one in which it shares with the Government part of the burden of providing social services.

Five projects are concerned with metal products and engineering. Of these the main enterprises are concerned with vehicle assembly and the establishment of shipbuilding and repair facilities at the entrance of Shuwaikh harbour. It will consist of two floating dry docks capable of handling ships of up to 35,000 dwt and also have the ability to manufacture fabricated steel products and vessels of up to 3,000 dwt.

An inevitable concomitant of this accelerated economic activity is a high level of inflation. Money supply is both a stimulus and an indicator. Between the third quarters of 1975 and 1976, it rose by 48.6 per cent. from KD258m. to KD383.3m.

Inland

Precise figures for inflation are hard to arrive at because inflationary pressures not only divide themselves into external and internal factors, but in the latter context they may differ according to whether an expatriate from Europe is concerned (who may have to pay enormous rents and have relatively expensive tastes in foods), or an Asian expatriate, or a Kuwaiti. Trade is a major external factor, and while in sheer value terms imports rose by 43.8 per cent. from KD158m. at the end of June, 1975 to KD227.1m. one year later, the real growth rate may well lie between 10 and 15 per cent.

Internally, the port bottleneck, where more than 100 vessels are currently waiting has driven prices up. The land and house and flat purchase rate after rocketing last year has levelled out during the past three to four months—in part because a number of Lebanese who fled from the civil war have returned to Beirut.

A selective list of prices indicated that between 1972 and 1976 flour rose by 40.6 per cent., mutton by 13.3 per cent., beef by 47.5 per cent., chicken by 60.1 per cent., eggs by 43.1 per cent., milk by 15.8 per cent., oranges by 108 per cent., and tomatoes by 197 per cent.

Inflation bits the poorer immigrant worker hardest, particularly as he is the class least likely to have free accommodation written into his contract. Indeed, Kuwait has become too expensive for many, and they have begun to leave the country's boom affluence behind to seek work in a cheaper place elsewhere.

A. McD.

BALANCE OF PAYMENTS, 1975
(KDm.)

	Debit	Credit
1—Goods and services (net):		2,037
Trade balance		1,733
Exports and re-exports (fob)	—	2,456
of which: Oil exports	—	2,330
Imports (cif)	723	
Non-monetary gold	32	2
Services (net):		334
Freight and insurance	—	14
Other transportation	27	100
Travel	55	24
Investment income	45	330
Government	—	(173)
Financial institutions	(2)	(30)
Other private	(43)	(127)
Other government	10	6
Other services	7	4
2—Unrequited transfers:	308	
Private	80	—
Government	228	—
3—Total current account (1+2)		1,729
4—Non-monetary capital (net):	502	
Direct investment	47	—
Government	(20)	—
Kuwait Fund	(8)	—
Other investment institutions	(21)	—
Loans (net)	11	—
Kuwait Fund	(22)	(22)
Other investment institutions	(12)	(12)
Other non-monetary capital	444	—
Government	230	
Kuwait Fund and other investment institutions	123	—
Other private	91*	—
5—Commercial banks (net):	27	
Liabilities		26
Assets	53	
Total (3+4+5)		1,200
6—Reserves and related items (net):	1,200	
Central Bank of Kuwait (assets)	86	
Monetary gold	—	—
Reserve position in IMF	112	
Other assets		26
Ministry of Finance	1,028†	

* Residual item reflecting partly errors and commissions, but mostly outflow of private capital.
† Estimate based on available information for the period March 31, 1975-January 31, 1976.
Source: Central Bank of Kuwait.

ESTIMATED STATE REVENUES
Financial year 1976-77, KD '000

Crude oil sale	
Participation oil	1,926,113
TAXES ON BUSINESS INCOME	
Income-tax from oil companies	146,767
Income-tax from sources other than oil companies	100
TAXES ON FEES ON PRODUCTION AND CONSUMPTION	
Royalty fees from oil companies	38,224
Customs duties and fees	19,439
Transfer of ownership fees	1,800
Miscellaneous fees	503
SERVICES REVENUES	
Security and justice services	1,655
Educational and cultural services	1,024
Health services	175
Social and religious services	42
Housing and utilities services	1,057
Electricity and water services	11,119
Transport and communication services	17,665
Other services	1,389
MISCELLANEOUS REVENUES AND FEES	
Industrial installations revenues	—
Other revenues and fees	2,643
EXTRAORDINARY REVENUES	
Sale of State land and property	2,210
	2,171,927

Source: Ministry of Finance.

Building

CONTINUED FROM PREVIOUS PAGE

sulate in Kuwait—hardly the act of a country disputing another's sovereignty. At present, the situation (made risky by the presence of a Kuwaiti oil team drilling in the Jerfan area) is frozen. Iraq is making no moves towards negotiation. Kuwait is prepared to lease the two islands, but subject to the borders being demarcated.

Elsewhere in the Gulf, Kuwait preaches, without success, the benefits of co-operation, initially on an economic level, which would eliminate duplication of potentially wasteful heavy industrial projects, and also as a means of *creating a market large* enough to sustain the development of minor industries. Like other states in the area, Kuwait is aware of the attention of the super powers to the Gulf and the Indian Ocean, and joins in the regional cries for the withdrawal of all non-local forces from the area.

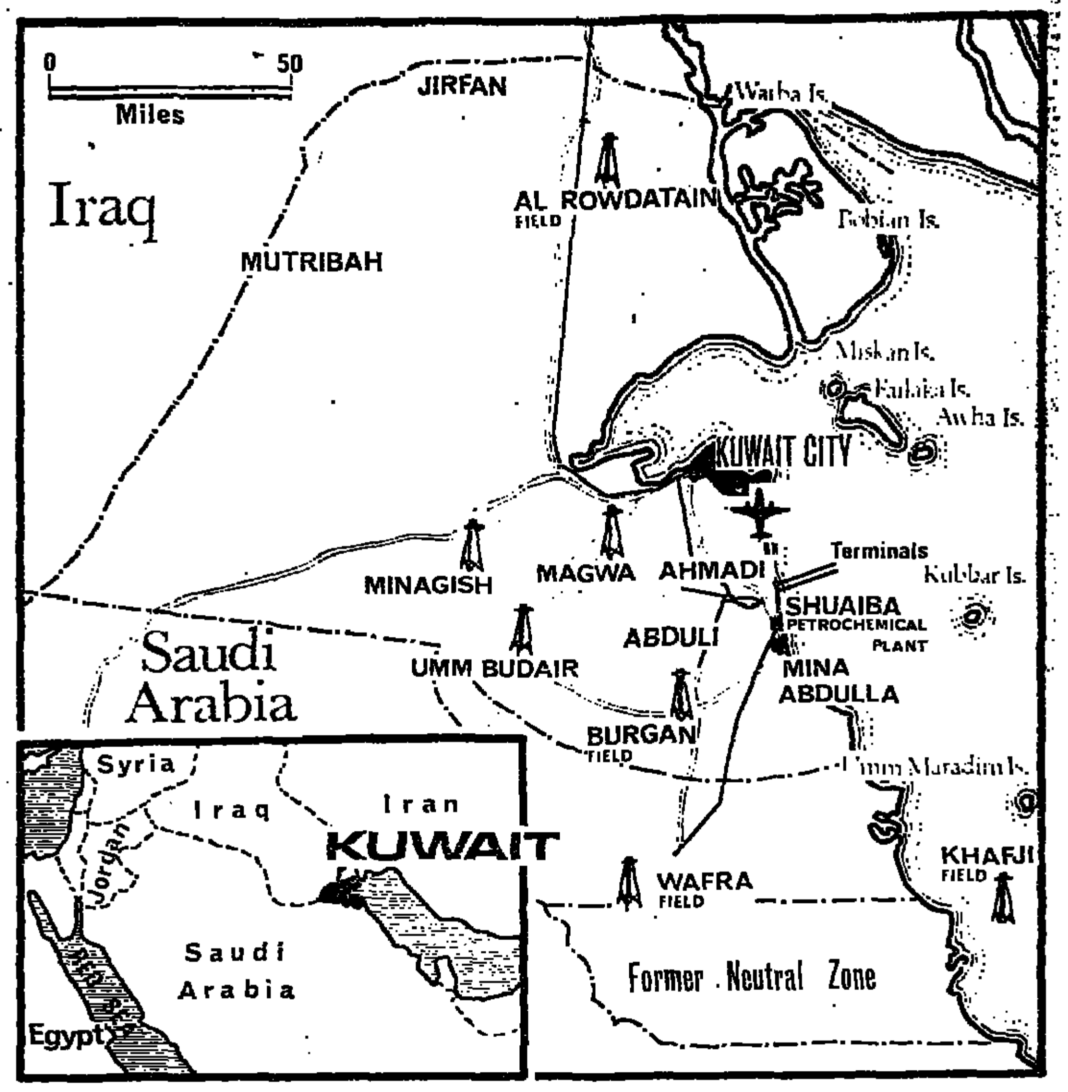
The 1973 border incidents with Iraq provoked Kuwait to embark on a programme to develop its armed forces, which total about 12,000. They set out on a seven year programme, negotiating with the U.S., France, Britain and the Soviet Union for arms, for which KD420m. was initially appropriated. This ran out early in 1976, and was bolstered by a further allocation which totalled eventually KD800m. The programme for rearming of the army (Kuwait was the first Arab state to receive the Chieftain tank) and the air force, for whom two bases are being built by Yugoslavia near Jakra and Ahmadi, has slowed to permit the absorption of weapons. Attention is now on the navy, which is in the market for six fast patrol boats, and ultimately hovercraft. The construction of a naval base is *being undertaken by a Japanese* company.

Kuwait's armed forces, apart from being a symbol of national prestige, can in the end hope to do little more than delay an invasion long enough to bring in the friends *it has* been cultivating to negotiate to preserve its existence. The likelihood of circumstances arising which would lead to such a pass are remote at present. Concentration is much more on home affairs, and on preparing Kuwait to face the next decades of political and economic development.

KUWAIT III

Since the suspension of the National Assembly last year, the Government has managed to maintain political stability. The biggest single problem it now faces is the question of the rights of immigrants in the Kuwait of the future.

The political scene



...ICE THE Sabah family of ... Bani Utub tribe moved into ...wait during the eighteenth ...tury, Kuwait has rarely ...n without a formal or ...rmal political consultative ...em. To some extent, this ...forced on the Sabahs, whose ...ler was chosen by the settlers 1756 to rule. The Sabahs ...ognised they were *primus* ...r *pares* and kept in close ...h with all members of their ...ntially mercantile com...ity when taking political ...sions.

...e present Emir's action last ...ust in closing the National ...embly was an exceptional ...n with only one precedent ... the modern history of ...ait. ...

...er the years following the ...blishment of the Sabah both ...Ottomans and the British ...ernment exercised a measure of suzerainty over Kuwait. ...899, Britain signed with the ...r, Sheikh Mubarak, a protection treaty which recognised ...ait as a separate state. It ... irony nowadays that one ...e terms of the treaty was ...Britain should provide an ...al subsidy to the Ruler and ...escendants for the duration ... treaty.

...osure

...e circumstances of the pre...t for the closure of the ...nal Assembly, were very ...ent. In 1938, Emir Ahmed ... the Assembly, which had ...recently been formed, ...se that body had voted ...Kuwait should become part ...aq. The Assembly has ...s been a source of provoca... ebate and dissent.

...en independence came in ... Emir Abdallah saw the ... two features which made Kuwait a remarkable phenomenon in the Arab ... First he recognised that wealth of the country ... be broadly spread amongst Kuwaitis. To this end, over the years an impressive comprehensive welfare system has been developed which looks after all Kuwaitis' needs through free education and health services, and a heavily subsidised housing programme. Secondly, he built on the democratic foundations which he had inherited from pre-independence days, and under the 1962 constitution a National Assembly was set up composed of 50 members, elected on the limited franchise of all male Kuwaitis over 21, and 14 ministers, as ex-officio members. The Assembly had the right to censure ministers, but not the cabinet as a whole.

In 1964, Emir Abdullah, who ruled until 1965 when he was succeeded by Sheikh Sabah al-Salim al-Sabah, his son and the present Ruler, faced a direct challenge from the Assembly when all 50 members walked out in protest against the nomination of a cabinet. The Emir on this occasion chose to select another cabinet rather than dissolve the Assembly.

Elections have been held regularly—in 1963, 1967, 1971 and 1975, when a younger Assembly with notably independent and radical attitudes was chosen. Although parties are not permitted, groups representing the tribal, Shi'ite, commercial and left-wing political groups in Kuwaiti society were clearly identifiable.

On August 29, the Prime Minister, Sheikh Jabir al-Ahmed, al-Sabah, offered his resignation together with his Cabinet, claiming that government had been made impossible by the National Assembly. A major accusation laid against the Assembly was that it delayed legislation. It was certainly at times undisciplined.

Last year for example the budget was almost not enacted because the members preferred to debate social welfare payments. Quorums were sometimes lacking. There was, too, a radical side. When the government had tried to negotiate a 60 per cent. take over of the Kuwait Oil Company, it pressed for complete nationalisation. It almost had a trade agreement with Romania halted because of its relations with Israel. Debates became extremely noisy, and an uproar was caused by one member calling the Prime Minister, a member of the Royal family no less, a dictator.

Debates

In spite of being asked to steer clear of inter-Arab disputes and to concentrate on "constructive criticism," vigorous debates about the Lebanese civil war took place in which Arab leaders were attacked in terms which undoubtedly embarrassed the Ruler.

The resignation of the Prime Minister and the Cabinet were accepted, and the Ruler charged him with forming another government. This had three new ministers and a new ministry, that of planning—replacing the Planning Board—but was otherwise identical. A decree was issued suspending the National Assembly for four years and certain articles in the constitution (including the one requiring new elections within two months of a dissolution), and the formation was ordered of a committee to take six months from the moment of its appointment to review the constitution. Recently a team of nine Egyptian lawyers arrived in Kuwait to act as advisers for this review. The recommendations are to be submitted to referendum within four years.

The suspension of the assembly was accompanied by curbs on the Press, which was often as lively and as critical as the Assembly and which, with the demise of Lebanon, was probably the freest in the Arab world. The new measures included the need for the submission of advertisements from foreign sources to vetting and penalties for publishing "seditious" material or articles in the service of another State. The penalties included up to two years suspension, six months jail, and fines up to KD200.

Five of the main newspapers were almost immediately suspended for periods ranging from one week to three months. The radical weekly, al-Talia, which criticised the Government's measures has suffered most, being suspended twice for three months. On the whole the reaction of the public was muted, and it was in any case the beginning of Ramadan. However, the Government was anxious to prevent any potential opposition or criticism and the executive boards of the lawyers', teachers' and journalists' associations were dismissed and replaced by Government-appointed caretaker boards. The clampdown, albeit modest and gentle by comparison with other Arab countries, was complete. Significantly Riyadh Radio called these changes a "plan for the future," and "the beginning of a new era."

The Ruler's measures were more of an insurance policy than a response to any particular incident. It is true that in June and July there had been some explosions, including one that wrecked the office of Syrian Airlines, and a spate of bomb hoaxes. In April, the Sheikh Saad Abdallah Salem al-Sabah, the Interior and Defence Minister, had said he would "take drastic action against elements trying to disturb public order or the integrity of the country."

The main causes were the uncertainties in the Arab world. With such a large non-Kuwaiti, Arab population, including 270,000 Palestinians, the Kuwaiti Government was concerned that some of the divisions caused by the Lebanese civil war might spill over, particularly if the Syrians succeeded in crushing the Palestinians in Lebanon. The National Assembly had tended to be critical of the Syrians. Kuwait wanted to keep a neutral position, through suppressing public criticism, to be able to mediate between Egypt and Syria (which it was able to do with Saudi Arabia). There was no internal Palestinian plot, for most Palestinians are well off and in responsible jobs and, accept that Kuwait is probably their *last refuge in the Arab world* where Government interference is minimal. In the Gulf area, political relationships, especially with larger neighbours, remained uncertain. Above all, Kuwait had the example of Bahrain, which had suspended its assembly and *constitution one year earlier*, and had experienced few problems in government without it.

The Kuwaiti Government is *undoubtedly in a stronger position* to deal with any difficulties that may come up in the next years, particularly in the economic sector. But this year's celebrations for the National Day take place against the background of the Ruler's ill health. In the event of his death, succession and a position strengthened by the emergency measures will pass smoothly to the Sheikh Jaber Ahmed al-Sabah, the *Prime Minister and Crown* Prince, who has been running the Government in the Ruler's absence.

Although Ministers talk of the need for the setting up of a constitutional committee soon, there is no evidence of direct pressure on the Government to move swiftly. Indeed, the informal side of consultation, the open majlis, where anyone may bring a grievance to the local community leader, continues as before. But to many this is not enough. Members of the tribes, the business community, pressure groups such as the women's rights movement, all feel the absence of the Assembly where they could be assured of having their views represented. The Kuwait Times recently described a dispute in the university in which two professors—in a clear allusion to the Assembly—protested against the undemocratic way in which the university's administration was being run. They objected not to the dean but to the rules which made him a dictator.

At the same time, the serious need for reform of the constitution is acknowledged. The franchise has to be widened. There is talk of establishing a two-chamber system. Above all, the Kuwaiti Government has to look ahead to the needs of its population by the year 1980, when the relatively underpriviledged lower middle class Kuwaitis and second-generation Palestinians, who will have known nothing but an independent Kuwait, come to manhood. It is then that the inequalities of the two Kuwaits—the sharp dividing line of the benefits accorded to Kuwaitis but available to non-Kuwaitis only at a price—will be most acute.

The population, according to the most recent estimates, is now 1,055,000, of whom Kuwaitis form only 48 per cent. By 1980 the proportion will be down to 44 per cent. Kuwaitis form only 30 per cent. of the labour force. Only 30 Palestinians have received citizenship since 1962 (including recently Khaled Abu Sa'ud, who for more than a decade had been running Kuwait's foreign investments). Yet of non-Kuwaiti Arabs who make up 34 per cent. of the population, a third, according to the 1975 census, had lived more than a decade in Kuwait.

Foreign

Kuwaitis openly acknowledge that the gap between the two Kuwaits must be closed if there is not ultimately to be an explosion. They realise too that dependence on foreign labour and expertise will grow even if the Government has opted for economic measures—through living off investments and projects requiring limited amounts of labour—which will reduce the inflow of expatriates. Occasionally there are glimmers of action. On February 13, the Cabinet passed measures which put Kuwaiti and non-Kuwaiti civil servants on the same footing for holidays and payments for week-end work. And yet, from October this year comes into action a social insurance Bill which provides for the Kuwaiti worker—only 30 per cent. of the labour force—against accidents, illness, and death at work, and nothing for the majority. It symbolises the fundamental dilemma of the State. Before too long, the ruling Kuwaitis will have to find an answer to the painful question, when spectacular GNP per capita figures are published, as to whose hard work created modern Kuwait, and how political rewards can be given in return that, unlike high standards of living, will not be eroded by inflation. And then Kuwaitis fear, Kuwait will start to become less authentically Kuwaiti.

A.McD.

Kuwait's financial policy is now principally directed towards investing surplus revenue so as to reduce the dependence of the economy on oil. The State's role as a financial centre is growing fast in spite of tight restrictions on banking operations and a 7 per cent. ceiling on interest rates. The articles on this page and opposite examine these aspects of Kuwait's development.

Investment policy

KUWAIT tends to be as tight-lipped about its finances—both governmental and private—as other States are about their armed forces. It is not hard to see why, for Kuwait has been accumulating surpluses for more than two decades and intends to use them as the means of building up a diversified fund which will provide a steady income for its citizens in the days—albeit distant—when oil is exhausted.

By spreading its assets around it hopes to minimise the effects of fluctuations in currencies. By distributing its investments between bonds and shares, it is attempting to protect itself against inflation. By providing foreign aid—at the creditable level of more than 8 per cent. of its GDP—it counters criticism that its investment strategy is just a selfish exercise.

Kuwait's surpluses have reached huge proportions only since the 1973 Arab-Israeli war and the fourfold rise in crude oil prices. According to the Ministry of Finance and Central Bank estimates, overall surpluses amounted to KD179m. in 1973-74, KD1.813bn. in 1974-75, and (according to preliminary estimates) KD1.356bn. in 1975-1976—a total of KD3.348bn. ($11.7bn.) in just three years.

The bulk of the surplus goes to the State General Reserve (SGR). In 1975, the budgetary surplus was reckoned to be $8.5bn., of which $4bn. went on the SGR. On August 29 last the role of the SGR was defined more precisely by the issuing of a decree which set up a legally inviolate Reserve Fund for Future Generations. This "pension" fund is to be fuelled annually by 10 per cent. of State revenue (KD.217.2m. in this case) and augmented by 29 per cent. of the SGR (KD.632.7m.)—giving it a send-off of KD.849.9m.

Assets

The most recent estimates of the Kuwaiti Government's financial assets put them at *over* $20bn., of which $2bn. are in the official reserves (according to the IMF, they stood at $1.83bn. last October). The SGR held between $12bn. and $14bn., with between $4bn. and $6bn. in the hands of private citizens. Income from investment was put at $1bn. (of which just over 50 per cent. went to the Government) and perhaps about $1.5bn. in 1976.

According to a statement issued with the draft budget last August, the SGR at the end of 1975 stood at KD.3.2bn. ($11bn.), almost 200 per cent. up on the reserves' position of KD.1.1bn. one year earlier. Of these reserves 44 per cent. (or about KD.1.4bn.) were in long-term investments and real estate outside the Arab world; 25 per cent. (about KD.800m.) invested locally in Kuwaiti companies or on deposit with Kuwaiti banks, and 32 per cent. (KD.1bn.) divided equally between Arab State loans, securities and deposits; and international funds and organisations.

The Government equity portfolios are handled by the major banks in the chief areas of investment and total about a dozen. In the U.S. this means the First National City Bank and the Chase Manhattan in New York. Deutsche Bank and Dresdner Bank in West Germany, the Swiss Bank Corporation, Credit Lyonnais in France, and the Kuwait Investment Office in London. There are other portfolios in Belgium, Holland and Japan. According to Ali Khalifah al-Sabaj, under-secretary of the Ministry of Finance, foreign investments earned KD.250m. in 1975.

Besides the banks, an important means of channelling money used by the Government has been the investment institutions, of which the three leading organisations are the Kuwait Investment Company (KIC), 50 per cent. Government-owned, the Kuwait International Investment Company (KIIC), privately owned, and the Kuwait Foreign Trading, Contracting and Investment Company (KFTCIC), 80 per cent. Government-owned.

During 1975 these three managed or co-managed 48 bond issues valued at $1.16bn. and three other Kuwaiti organisations, the Arab Financial Consultants (AFC), Kuwait Financial Centre (KFC) and Kuwait Pacific Fund (KPF) managed and co-managed another five issues valued at $98.8m. In 1975 there were nine bond issues in Kuwaiti dinars worth together KD.52.5m. (of which one each went to Sudan, Algeria, Mexico, Ireland, the Industrial Bank of Kuwait, and two each to Finland and Spain).

Figures for 1976 are not complete but throughout the year KIC managed and co-managed 15 loans worth a total of about $542m. KIIC managed and co-managed 12 issues worth $290m., and seven floating rate Eurodollar operations totalling $216m. And as part of the Kuwait Real Estate Investment Corporation it was involved in six agreements in the Arab world worth about $750m.

KFTCIC during the first half of 1976 managed and co-managed five loans worth $78.2m., and in June burst in on the domain of the big U.S. and European banks by managing a Eurodollar loan of $100m. for the Sumed pipeline in Egypt. AFC, KFC, KPF and Kuwait International Finance together during the first half of 1976 managed nine loans worth $167.7m. In 1976 bonds denominated in Kuwaiti dinars amounted to KD78m. in issues to Poland, Turkey, Algeria, Tunisia, the domestic market, Morocco, Tunisia, Mexico and South Korea. The year 1976 *marked a reduction of Kuwaiti* activity in both real estate and bonds, but holdings in the form of deposits and bonds were estimated to exceed KD1bn. One reason for lesser activity was that the home market became a far more attractive short-term proposition and caused funds held abroad to be repatriated.

During the first nine months of 1976 the foreign assets of the Central Bank rose by KD41m. while those of commercial banks rose by KD74.6m. Furthermore, loans for financial services rose over the same period by 80.1 per cent. from KD93.8m. to KD168.9m., and domestic liquidity rose by 25 per cent. from KD306.7m. to KD383.3m. just over those nine months. According to the National Bank of Kuwait, Government share holdings in Kuwaiti public and private companies at the end of 1975 totalled KD265.5m.

At the same time Kuwaiti investment abroad has adopted a lower profile. Ali Sabah said in November he was in favour of direct investment in Western companies by stock purchases but "the basic policy should be *diversification, and the more* diversification the better." For the moment the spectacular large purchases of 1974 — St. Martin's Property, Kiawa Islands, Tour Manhattan, and Daimler Benz — are a trend of the past. One motive is to curtail publicity and the need, after a certain percentage control has been acquired, to disclose involvement and therefore to participate, often at a distance, in the running of individual companies. By spreading the load, risks are minimised and liquidity kept at a high level, and the backlash against the Arab buying of property avoided.

Diversified

Thus, at present, the emphasis has moved from large-scale public investments to diversified share and property portfolios and, according to a senior Finance Ministry official, the U.S. is the most favoured market, followed by Europe (with W. Germany the favoured market), and Japan. Government and Central Bank of Kuwait investment income from foreign assets were given officially in 1974-75 as KD153.04m.

The three Ks, as the chief investment companies are known, are also extensively used for loans to developing countries.

KFTCIC, for example, is involved in six major joint companies: the Kuwait - Sudan Investment Company, the Arab-Spanish Bank, the Egyptian-Kuwaiti Investment Company, International Contracting Company, the Afro-Arab Company for Investment and International Trading and the Senegalese-Kuwaiti Bank. During 1976, loans of KD3m. were made through KIIC to Gabon, and KIIC teamed up with two Venezuelan banks to channel investment into development schemes there. In addition, a key vehicle for loans is the Kuwait Fund for Arab Economic Development, whose capital has been raised to KD1bn.

To the IMF oil facility Kuwait's contribution stood at $791m. in October 1976, and its IMF subscription is now 235 SDRs.

Officially Kuwait's aid to the Third World is estimated at KD2bn. in 1974 and KD2.5bn. during the first half of 1975 alone (an enormous sum which must include every conceivable kind of investment and both private and official loans).

Officials do not say so openly, but there is reluctance to invest in the Arab world and in developing countries. But capital invested is often hampered by restrictions in some sectors, by slow administration and changing laws. The formation of the Inter-Arab Investment Guarantee Corporation has made this sort of investment now less risky.

In 1974-75 aid and loans were listed as including KD4.8m. to friendly and Islamic countries, KD43.5m. under the terms of the Khartoum agreement (to Egypt, Syria and Jordan), KD4.8m. to the budget for the General Organisation for Southern Arabia and the Gulf, and a total of KD241.9m. for the Arab frontline States and the Palestine Liberation Organisation. In addition Kuwait's share in the Gulf Organisation for the Development of Egypt is $500m. out of $2bn. (none of which has yet been disbursed), and $400m. for real estate investment in Egypt.

In 1976 Kuwait's activities in the Arab world included the formation of a joint investment company with Morocco with capital of $51m. (through the Kuwait Real Estate Investment Consortium), two other loans to Morocco totalling KD13m., a KD10m. loan to Bahrein, and a contribution to a KD10m. loan to Algeria. Kuwait has also contributed $25m. Arab Dinars (1AD=3 SDRs) to the Arab Monetary Fund, $20m. towards the capital of the Arab Bank for African Economic Development, 100 Islamic Dinars (1ID=1SDR) to the Islamic Development Bank, and increased its capital in the Arab Fund for Economic and Social Development.

Kuwait contributes $58.7m. to the Arab Petroleum Investment Company and also to the Fund for Arab Oil Importing Countries. Last year an OPEC fund was set up with capital of $800m., to which Kuwait contributed $72m.

The pattern of Kuwait's investments is not expected to change drastically during 1977. Investments, particularly those connected with the SGR, remain basically, in the words of a senior official, "very long term." Meanwhile, the influx of funds for investment continues apace. Estimates for the surplus for 1976-77 are KD2bn. and the daily newspaper Qabas estimated last November that a price rise of 10 per cent. on oil production of 1.7m. b/d would add KD201m. to revenues, and one of 15 per cent. KD302m.

Peter Field

The capital market

KUWAIT IS a classic case of too much money chasing too few investment outlets, as the seemingly endless speculation in shares and property show.

Outside these areas, nothing seems to satisfy the average Kuwaiti investor's zeal for a quick and handsome return. The big industrial projects are government - financed; the smaller ones are hardly likely to offer a better investment than equities or real estate. Almost the only alternative outlet is Eurodollar deposits and then only when interest rates are favourable and the exchange markets stable.

The share boom last year raised the market valuation of the 31 listed Kuwaiti companies from KD948m. to KD2.37bn. The boom was led by the three real estate companies (whose market valuation rose from KD112m. to KD411m.), followed by the three insurance companies (up from KD36m. to KD113m.) and later by the six banks (up from KD287m. to KD680m.) in expectation of their results.

The turnover in Kuwait last year was bigger than most European exchanges. On one day in September share transactions in Kuwait actually exceeded in value those in London. Naturally, the volume of transactions is much lower as the active traders are a relatively small circle of extremely wealthy individuals, but the market can bear the size of transactions that such people tend to deal in: for instance, one day earlier this month saw two transactions in one equity that totalled KD2.6m., yet the price movement was negligible.

The share price boom peaked out before the end of last year and the market has been a little flat since because of the spate of issues announced since Christmas. By the first week in February, 18 rights or bonus issues had been announced, the rights issues totalled KD90m. alone.

The question of whether share prices have run too far away from the assets they represent is not as easy to answer as it seems. At the time of writing, not enough companies had declared their 1976 results to give a good enough sample, but of those that had, the ratio between the price and the assets per share was in the region of 6:1. In addition, a lot of assets (land sales, for example) often fail to get registered, because, although company reports and accounts are reasonably well presented, there is no system for announcing major changes of business activity.

There is no formal stock exchange yet. Investors deal with each other in brokers' offices or through the brokers. The Government publishes prices daily. The task of establishing a formal stock exchange has been entrusted to an eight-man securities committee, set up by the Ministry of Commerce and Industry last November.

John Hollis, formerly of the London Stock Exchange, is the Ministry's consultant, advising the committee. He says it will be four or five years before a permanent building for the exchange is ready, though a temporary market will open soon. In the meantime, he is improving the monitoring of company and share information. Already a share index has been constructed on Financial Times lines, and this can be prepared on a daily basis as soon as the necessary staff is available.

The insatiable appetite of Kuwaiti investors for new issues was shown in 1975, when the Burgan Bank was floated, and again last year, when the Sharjah Investment Group, in which ex-Lonrho director Sheikh Nasser is a leading light, was formed.

Such was the scramble for Burgan Bank shares in 1975,

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The financial centre

..UWAIT HAS traditionally ..loughed a furrow of its own ..n the financial field, eschewing ..e presence of foreign banks on ..s soil and concentrating on ..uilding up its own institutions .. stand on their own in the in-..rnational markets. It has held ..oof from competition to take ..er Beirut's role as a regional ..ntre, and has no pretentions .. rivalling offshore centres ..ing set up further down the ..ulf.

But if it has no desire to ..velop as a short-term money ..rket, Kuwait does have claims .. being the capital market of ..e Arab world (despite the ..ndicap of an interest rate ceil-..g).

Because of the Kuwaiti ..vernment's deliberate policy .. spreading the oil-generated ..alth as deeply as possible ..ough Kuwaiti society, the pri-..e sector is a lot richer than .. neighbouring oil-exporting ..tes. This is reflected in the ..ormous assets of the five ..rating commercial banks, all ..which are near the top of the .. of the biggest in the Arab ..ld. At the same time, the ..ts held by the Kuwaiti pri-.. sector abroad — estimated ..round $5bn. — are greater .. those held by individuals .. other Gulf oil states.

..he Kuwaiti Government, of ..se, has been investing ..ad since the state came into ..g. Latterly, it has been ..uraging the growth of lead-.. Kuwaiti companies by using .. as a channel for its over-.. investments. The Kuwait ..stment Company (KIC), ..ait Foreign Trading, Con-..ing and Investment Com-.. (KFTCIC) (respectively ..er cent. and 80 per cent. ..rnment-owned) and, to a ..r extent, the Kuwait Inter-..nal Investment Company ..ately owned) have been .. by the Ministry of Finance ..nvest in the Eurobond ..et. The Kuwait Hotels ..pany and KFTCIC have .. been used as vehicles for .. Government's investments ..n the Arab world.

..t the Government's role in ..oting foreign investment ..coming less crucial now, ..rivate wealth percolates .. and individual investors ..e more sophisticated. .. is showing itself in a ..er of ways.

..t, the big three Kuwaiti ..ment companies no longer .. to rely entirely on the *Ministry of Finance for their* placing power in the Eurobond market. According to a senior Finance Ministry official the companies "can usually cover about 60-70 per cent. of an issue from their own resources without intervention from the Ministry."

Last year KIC and KFTCIC were not so active in the Euromarkets, not because the Ministry was directing less of its funds through them; but because "we had some resistance from some anti-Arab companies," in the words of the official. "They tried their best to put our companies aside and not let them participate in the syndication of loans." A second factor, he added, was that "the bond market wasn't so active last year as the year before."

Unwilling

Leading Eurobond houses would no doubt agree with both these points, adding that in 1976 managers of issues were unwilling to get involved in the Arab boycott problems that might arise if a Kuwaiti house were in the management group. This year, however, Kuwaiti companies are far better represented in syndications, according to Kuwaiti officials.

Secondly, although they do not see government funds, the smaller and more recently established investment houses after a slow start are gradually stepping up their activities. The Arab Financial Consultants Company (AFCC)—which has prominent foreign Arabs among its shareholders — and the Kuwait Financial Centre—in which the Ruler's son and the International Bank of Washington have stakes—have done most to develop the retail side of the bond market, though KFC's customers are mainly members of the royal family. AFCC has lead-managed KD issues for Iceland and Turkey and co-managed other issues in various currencies. It has also done private placements in currencies other than the Kuwaiti.

These companies and others, such as the Financial Group of Kuwait, *in which the bank of* America holds 40 per cent., also *act as merchant banks, advising* Kuwaiti companies on expanding *their activities overseas,* carrying out feasibility studies *for projects, finding partners for* joint ventures in Kuwait or abroad, advising companies *wishing to set up business (with* Kuwaiti partners) in Kuwait, *and so on.*

A third pointer to the growing maturity of the Kuwaiti market is the impending formation of a company—the Arab Corporation for Trading Securities (ACTS) which will aim to build up the secondary market for international KD (and eventually other) bonds.

A fourth pointer was the shift in 1976 from an *international* to a more regional and domestic *focus by the investment com*panies and individual investors. Kuwait *in 1976 became much* more clearly a capital market for the Arab world. Of 13 KD issues totalling KD77m., over half were for Arab borrowers and for specific projects.

According to Hikmat Nashashibi, manager of the Kuwait International Investment Company, which led some 40 per cent. of these issues, this trend will continue in 1977. He says funds were attracted to Arab projects in the face of competition from international outlets. He adds that the actual disbursements on projects of some KD38m. of these issues is healthy compared with the record of development agencies and shows the commercial sector is taking up the better development risks, leaving only the really unattractive projects to the aid institutions. But the commercial sector is also co-operating directly with *aid agencies. Three or four* issues are in the pipeline where *the borrower is a development* agency which will on-lend for *several projects which, indi*vidually, would be unable to *attract commercial funds.*

At the same time, a lot of *Kuwaiti investment is going into* projects elsewhere in the Gulf *and in Egypt and Sudan. One* investment/merchant banking *company admits it is working* on only one project in Kuwait *at the moment. Naturally,* given the Kuwaitis' penchant *for property dealings, much of* the outflow from Kuwait is into *real estate or hotel develop*ments in places such as the United Arab Emirates, Bahrain and Egypt.

The Kuwait *Investment Com*pany has two big property developments in the U.S., one on an island off South Carolina, the other in Atlanta, Georgia. Both *involve* a hotel, housing, offices and shops. But the company *also* has two major property developments in pro*gress in Kuwait itself, and an* interest in a hotel being built in Bahrain. It is partner with Greek interests in a shipping company and in banks in Tunisia and Morocco. The KIC also has interests in multilateral financial institutions such as the Paris-based Banque Arabe et Internationale d'Investissement and the Kuwait Pacific Finance Company.

The Gulf International Group, headed by Shaikh Nasser, son of the Kuwaiti Foreign Minister, his brother, Shaikh Hamad, and Dr. Khalil Osman, has a *similarly wide spread of* interests abroad, from hotels in *Cairo, Khartoum, Jeddah and* Kuwait, the 25 per cent. stake in Lonrho, paint factories and dairies to various ventures in Sudan, including the Kenana sugar scheme, which make it the largest private employer there.

Purchase

Other Kuwaiti private investments abroad include the purchase by an Alahli Bank subsidiary of a 35 per cent. stake in a Hamburg merchant bank, Johannes Schuback and Sons; and the 50 per cent. stake held by Abdel-Aziz al-Hamad al-Bahar, a prominent Kuwaiti banker and businessman, in Aylesfords, the London estate agents.

Because they have already achieved so much in developing their financial and investment institutions, Kuwaitis are reluctant to admit that Bahrain's *rapid rise as an offshore centre* has had any impact on them. But *competition in certain* sectors of the market has *certainly become keener.* Bankers from the OBUs and *representative offices in Bahrain* are frequently to be seen in Kuwait soliciting business. Kuwaiti commercial banks for their part have stepped up their dealing operations. Marshalls, the money brokers, started operating in Kuwait at the beginning of February, mainly to broke between Kuwait and outside.

One positive effect on Kuwait of Bahrain has been to produce the makings of a short-term inter-bank market in Kuwaiti dinars.

A.McD.

..apital market

CONTINUED FROM PREVIOUS PAGE

..e every Kuwaiti by law is ..d to subscribe to a new ..nd because the new bank ..xpected to be as profit-..s the existing five—that ..overnment had to take .. measures to try to ..e its aim of spreading the .. as widely as possible .. its citizens.

..se measures included out-.. the sale of rights to sub-.. the reduction of the ..r of shares any one per-..uld buy and the increase .. Government's stake from .. cent. to 51 per cent. All ..as for an institution that ..ill not started operating ..deed has no premises or ..part from a chairman.

..mpts are being made to ..c Kuwaitis in other .. of domestic investment. ..ndustrial Bank of Kuwait ..the first domestic bond .. in November 1975—a .. three-year issue with a .. of 6½ per cent. ..arch, 1976, a second issue ..loated—KD5m. of five-..onds at 6½ per cent. The .. was more than 100 per .. over-subscribed and the .. amount was therefore .. to KD8m.

.. IBK did not, of course, ..he funds it obtained from .. issues. The idea was .. educative, and it was .. a secondary market .. emerge.

..tfolios

..fact, though the bonds .. traded to three or four .. their total value, accord-.. the IBK, it is thought ..ost of them ended up in ..ortfolios of the com-..l banks since the banks' ..nents in the bonds ..r for liquidity reserve ..ements and since they ..e them as collateral for ..ving from the Central ..

.. have the two IBK issues ..ated others, as was in-... The interest rate .. of 7 per cent. was one .. impeding this last year. ..er was a change of mind ..e Central Bank on the ..ation of planned new .. for liquidity reserve ..ements. A third factor ..e influx of offshore bank-..ilts into Bahrain which brought greater fluctuations in interest rate levels for the Kuwaiti dinar and other Gulf currencies.

Other instruments are being created or planned. Last year, KIIC issued KD20m. worth of *certificates of undivided interests* in a specific real estate project. By buying one of the certificates, an individual investor was able *to share both profits and costs* of that venture. These certificates have been traded, and KIIC says the turnover has been good. Also last year, domestic borrowers for the first time raised funds through floating rate Euroloans, previously done only for international and regional borrowers. Two such loans were arranged.

This year may see the first issue of certificates of deposit in dinars. The banks, it is assumed, will be more interested in issuing them once a market-maker (ACTS) is operating. *And the Industrial* Bank has already announced its intention of starting them, as well as floating medium- and long-term bonds.

The financial sector in Kuwait *consists of the Central Bank,* six commercial banks—National Bank of Kuwait, Commercial Bank of Kuwait, Gulf Bank, Alahli Bank, Bank of Kuwait and the Middle East and Burgan Bank—three specialist banks covering industry (the IBK), real estate and housing, a number of investment companies and insurance companies, exchange dealers, stockbrokers and one money broker (Marshalls). No foreign banks are allowed, though the law has just been changed to allow in banks which are at least 50 per cent. Kuwaiti owned—a change that will allow the Bahrain-based Bank of Bahrain and Kuwait to operate in Kuwait.

Nevertheless, a new company is on the point of being launched with the aim of bringing further sophistication to the Kuwaiti market. The Arab Corporation for Trade Securities (ACTS)—owned 65 per cent. by the Kuwait International Investment Company (KIIC) and 35 per cent. by the IBK—is intended to build up a secondary market for KD-denominated issues and Eurocurrency issues where Arab institutions are managers or underwriters.

Demand for international KD bonds in Kuwait has hitherto been institutional; individual Kuwaitis have still to develop a taste for them on a big scale. *The authors of ACTS believe a* third-party market-maker will *change things.* As a result of building up a wider spread of buyers *and creating a real* secondary market, issues would be more realistically priced and eventually a higher class of borrower attracted (at present the borrowers for most international KD bonds are less than prime names).

Stakes

However, the restrictions on banking are not quite so rigid as they seem. Some of the investment companies / merchant banks have sizeable stakes held by a single *foreign bank:* for instance, Bank of Credit and Commerce International holds 46 per cent. of the Kuwait International Finance Company and Bank of America 40 per cent. of the Financial Group of Kuwait. There are also quasi-banks in Kuwait where most banking transactions are carried out under the guise of exchange shops. Pakistani and Iranian interests are notable in this field, and they undercut the commercial banks in the remittance business.

The bulk of the commercial banks' business is the financing of imports and domestic retail transactions. Out of total credit of KD757m. in the third quarter of 1976, KD247m. was for trade, KD169m. for financial and other services, KD153m. for personal uses, KD139m. for construction and only KD35m. for industry. The figure for construction could well be higher in practical terms, since some credit ostensibly for other uses may in fact be directed to it. From the banking vantage point, demand for imports shows little sign of slackening. The National Bank reports its letter of credit business was up 81 per cent. last year.

Total assets of the commercial banks stood at KD1.67bn. in September last year, nearly KD500m. more than a year earlier and more than double the end-1973 figure. The bulk of their deposits are in the three-six month range, a factor which encourages concentration on short-term lending, along with certain Central Bank regulations and the need to keep their foreign assets (now declining as a proportion of total assets) in mainly liquid form.

Both demand deposits and *credits rose massively in the* first nine months of 1976—the former up from KD183m. to KD283m. by the end of June, before dropping to KD267m. in September; the latter up from KD534m. to KD757m. The Central Bank therefore barred the banks from providing unsecured credit facilities over 10 per cent. of their net worth to any single customer.

A major obstacle to tighter Central Bank control over the banking system has been the domestic interest-rate ceiling of 7 per cent. However, when the *Central Bank was given the* power at the beginning of the year to fix maximum lending rates, against most people's expectations, it chose to continue with the 7 per cent. rate.

In fact, the situation was worse than it had been previously because under the new regulations extra commissions and fees which banks had traditionally charged to make the rate up to 8½ or 9 per cent. could no longer be shown. In these circumstances, Kuwaiti banks were finding it difficult to compete with banks else*where, notably the OBUs in* Bahrain, which could pay 6-6½ per cent. for KD deposits, and there was a danger that a KD *market would develop outside* Kuwait. Thus, on February 14, the *Central Bank announced* new regulations, but the picture *is still far from complete.* A government spokesman said the *maximum rate* allowed on deposits of more than 12 months *would be 10 per cent.* The Central Bank resolution on the subject made no mention of this deposit rate, saying only that the ceiling on the effective rate chargeable by banks and invest*ment companies on* secured loans in Kuwaiti dinars not exceeding *12 months would be 7* per cent.; for unsecured loans not exceeding 12 months 8½ per cent.; and that the rate for savings accounts would be 4½ per cent.

P.F.

The announcement last year of a second development plan has touched off a debate about its aims and methods of implementation. Sector priorities are outlined in the article below, but a good deal, it seems, will depend on how far the Kuwaiti business world is prepared to go along with control.

Development planning

KUWAIT HAS never been one of the great planning nations. This stems from the Government's fundamental belief in the open market economy, and from the fact that during the first decade the priorities for development and the establishment of the infrastructure of the State largely chose themselves, and finance was no problem. In recent years, however, planning has come back as a necessity, at least in concept. The Government has sensed, for example, that the facilities of the social services and of housing are not meeting the needs of the Kuwaitis.

Now that the basics of the State have been laid in terms of infrastructure, the choices become harder, and the alternatives more sophisticated and expensive, and the price of wrong decisions potentially catastrophic. Development would obviously be based on oil and its derivatives, but consideration would have to be paid not just to cost, but also to the local and international markets. There had to be some consideration of the feasibility of establishing industries which could be sustained when oil eventually was exhausted.

And at the heart of the calculations is the population question. Kuwaitis are already a minority in their own country, and this situation is going to become more so rather than less acute. The greatest source of population growth is from imported labour, from the most sophisticated civil servants to labourers, and these have almost none of the privileges afforded by the State to its own citizens. Like other countries in the Gulf which have small indigenous populations and large labour markets, Kuwait is deeply worried that, unless industries are selected which keep this inflow to a minimum, Kuwaitis will be swamped by non-Kuwaitis. This restricts the choice of industrial activity to labour-intensive operations, and makes it imperative that projects are not only carefully selected, but also integrated into an overall strategy.

It is possible to gauge some idea of the Kuwaiti approach to formal planning from the fact that between 1967-68 and 1971-72 there was a development plan in action which never received formal approval throughout its operative life.

It was a reasoned, modest affair, whose investment target was KD912m., of which 55.6 per cent. or KD507m. would be provided by the public sector and the balance by the private and joint sectors.

It envisaged a growth rate of 6.5 per cent in the GDP, and 6.9 per cent in the GNP. And as it happens, investments in fact totalled KD860m. or a remarkable 94.3 per cent. of the target figure. The public sector only invested 65.7 per cent of its share, but the private and joint sectors more than fulfilled their norms, with KD527m.—by 30.1 per cent. The performance of the growth rates was considerably better than planned, with the GDP rising by 10.6 per cent, and the GNP by 11 per cent.

Last August, figures were released for the outline of a second plan, to last from 1976-77 to 1980-81. Even though the Planning Board became the Planning Ministry last September, all the signs so far are that the second plan may well follow the fate of its predecessor.

This does not mean that Kuwait's planners take a cavalier approach to their job, happy in the knowledge that vast income from oil and huge surpluses will bail them out. First of all, they realise that such a premise, if it was ever true, certainly is not so to-day.

Thus, although the second development plan may only give the guidelines of the direction chosen by the government and of the relative importance of the different sectors, perhaps its most important role has been the extensive debate it has provoked. Indeed, it is that debate which has stopped it starting on time.

The options faced by Kuwait resemble closely those of other oil-rich States in the Gulf. The best option would undoubtedly be co-operation among these States so that major industrial plant and infrastructure was not duplicated and so that a decent-sized domestic market could be created. But this will not be, however much Kuwait calls for it.

The direction chosen by Kuwait is indicated by two major decisions: the formation on August 29, 1976, of the pompously named Reserve Fund for Future Generations; and the dropping of the steel mill project and deferment of plans for a third refinery in favour of a capital-intensive industrial sector based round the huge LPG plant, and of improving social services.

The establishment of this "pension" fund is a sensible and credible choice now that the enormous assets of the State total in the region of $20bn. This self-generating fund will neither affect the delicate population profile, nor create unsaleable industrial output. This in turn complements the thinking behind the industrial decision. The basic shape and strategy of the plan are there with or without formal organisation.

When the plan's details were announced last August, investments were to total KD4.414bn., of which oil and natural gas would account for 23.7 per cent., the rest of the public sector 52.5 per cent., and the private sector (excluding oil and gas) 23.8 per cent. The Ministry of Planning gave the Financial Times slightly different figures and also a breakdown which gives a good idea of its priorities.

Modest

Total investment will be KD4.441bn., of which KD3.392bn. or 76.4 per cent. will come from the government sector, KD1.049bn., or 23.6 per cent. from the private sector, and KD44.1m. from change in stocks. A modest growth rate of 6.5 per cent. has been set for the GDP, which is to rise from KD3.662bn. in the base year to KD5.022bn., with the non-oil sector recording an annual rate of 10.8 per cent., and the oil sector 5 per cent. The population is to grow at the same rate as the overall GDP, rising from 1,034,900 to 1,417,600. The labour force is to rise from 310,500 to 434,000, with the Kuwaiti proportion increasing only fractionally from 29.1 to 29.8 per cent.

One major concern of the Planning Ministry has been that the social services of which the Kuwaitis are justly proud have been showing signs of wear and tear. Thus within the plan the largest single allocation of investment is to the housing sector which receives KD1.40bn., or 31.5 per cent. Notably this is the only services sector to which the private sector contributes—KD695.4m.—and on a scale which almost matches the public sector contribution of KD705.4m. The manufacturing industry receives KD909.5m. (including KD125.1m. from the private sector). The State entirely provides for the next largest allocation: KD538.9m. for electricity, gas and water, followed by sea transport KD334.2m. (including KD93.6m. from the private sector), and land transport KD311.7m. (including KD81.6m. from the private sector). Thereafter, education and training receives KD275.6m., health KD133.4m., and public utilities KD104.1m.

Although the Government is keen to encourage the private sector to devote more of its investments into productive rather than speculative investment, the share that it apportions reflects some doubts about whether it would respond. In addition, one of the pre-planning debates was about the extent to which the private sector might be brought into the social services. As the figures show, the State is taking the bulk of this burden as well (with housing, a potential money-spinner, the only exception).

The Planning Ministry has comprehensive plans for the electrical and water sectors. The current electrical installed capacity is 1,364 MW and this is to rise by the end of the plan period to 2,550 MW. In 1975 the maximum load was estimated at 1,120 MW and the minimum at 205 MW.

By 1980, these two loads are expected to have risen to 2,200 MW and 415 MW respectively (although if the bulk of the growth comes from industry rather than items of domestic consumption such as air-conditioners, the minimum load will grow much faster). Kuwait's first 150 MW generating set is to be commissioned this year. Its first 500 MW plant is projected for the second half of the 1980s, leading, it is hoped, to a total installed capacity of between 3,000 and 4,000 MW by 2000. Nuclear power, through a 40 MW training reactor for power generation and water desalination is being planned for the 1980s.

Under the terms of the plan, water production, 90 per cent. of which comes from desalination plants of the multi-stage flash type, and the rest from underground reservoirs is to rise from 60m. gallons a day to 100m. gallons, with the water network to be developed to match the growth and distribution of the population. Ishikawajima Harima of Japan is building, at the cost of Y17bn., three desalination plants at Doha to bring the capacity in Kuwait to 77m. gallons a day.

The latest census figures show a population of 1,055,000, with a population growth rate of 6 per cent. Kuwaitis represented 48 per cent. of the total. During 1976, Kuwaitis increased by 7,763 and non-Kuwaitis by 52,400. There are strains already between the two definite classes of society: those Kuwaitis who receive free schooling and health services and who may own businesses and houses towards which the Government provides land and generous loans—and the non-Kuwaitis who do not.

Choice

The prospect of this imbalance growing clearly influenced the choice of industrialising through projects which require relatively few workers. As it is, during the period of the plan, some 114,840 workers will be required of whom 34,690 will be involved in production, 27,360 in professional and technical fields, 24,960 for services, 12,400 for clerical duties, 10,440 for sales work, 4,050 in agriculture and fishery, and a mere 940 for administrative and managerial jobs.

Town planning of a kind has existed in Kuwait since the early 1950s, and broad streets and ordered layout of ring roads and residential quarters of the capital pays tribute to this farsightedness. Within the context of the Buchanan Master Plan which covers the whole of Kuwait and was submitted to the Government last December, the population is expected to double and reach 2m. by the end of the century. Present Government policy aims at producing 6,000 houses a year for the next five years, and housing projects on the Sixth Ring Road, at Mina Abdullah, Jahra, Ahmadi, and Ardiya are under construction.

A second major population centre of 200,000 people is to be located inland from Fantas, south of Kuwait, and there are plans to develop the Murgab, Sharq, Suq and Salmiya districts of Kuwait, and the townships of Jahra, Sulaibikhat, Ardiya, Aukailia, Mishrif and Mesila in the outer parts of the city. Major expansion of roads, and of the ports of Shuaiba and Shwaikh is planned. Kuwait Airport is being extended, and the second satellite station, at Umm al-Aish, is under construction. The telephone network is also to be expanded.

Kuwait at this stage of its development faces less constraints than some countries. Finance is no problem for either of its two main thrusts—the Future Generations Fund and industrialisation. If anything, the abundance of money makes the range of choices broader and therefore harder. Even though there are currently more than 100 vessels waiting outside Kuwait, because Kuwait has been building its society longer than its neighbours, the basic infrastructure of roads, ports, and planned cities is there.

Pollution and the realisation that Kuwait is somewhere to be lived in as well as to be developed has been one restriction. Population, in the end, remains the main concern and criterion by which the path to economic development has to be chosen. And planners are having to look not just to the end of this plan, but to the end of the century when it is reckoned that Kuwait will have a population of 2m.

A.McD.

Kuwait has been dispensing aid almost since its foundation. This is a potent force in the Arab world, and determination to maintain the momentum of the programme is evident in the increasing search for co-operation with other regional and international aid agencies.

Aid programme

IT SEEMS appropriate that the country with the highest Gross National Product per capita in the world ($11,510 in 1975, according to the World Bank) should also have the lengthiest and one of the most generous records among Middle East oil-exporting States for giving foreign aid. Naturally, Kuwait's generosity has not been a function of its wealth alone. In any case, its income from oil has been really abundant only since 1973, whereas its aid policy is almost as old as the State itself.

A strong political motive has always laced the altruism of the foreign aid programme. From independence, Kuwait found it necessary to win both friends and influence to counteract its position as a small emergent State surrounded by large neighbours generally unsympathetic towards it. However, the Kuwait Fund for Arab Economic Development (KFAED), which was set up on December 31, 1961, has by now firmly established its credentials as one of the world's leading national aid agencies, operating independently of Government and depending solely on economic criteria for judging the worth and viability of a particular project.

Precisely how much of Kuwait's GNP is allotted to aid is difficult to pin down. Kuwaiti officials give figures around 8 per cent., but the perhaps more conservative calculations of the OECD arrive at a figure of 2.8 per cent. for 1975, using the key criterion of concessional assistance disbursed (compared with 6.4 per cent. for Qatar, 4.6 per cent. for the UAE and 2.6 per cent. for Saudi Arabia). Disbursements of concessional assistance were estimated by the OECD at $330m. in 1975, up from $275m. in 1974, and compared with commitments of $613m. in 1975 and $495m. in 1974. The figures for 1975 do not include the $500m. of grants made to the "frontline" Arab States at the Rabat Arab summit conference in 1974. These grants may partly have been used to buy arms. If the $150m. of these grants disbursed in 1975 was included, Kuwaiti aid disbursements in 1975 would be equivalent to 4 per cent. of GNP.

The KFAED is the main agent for providing official development assistance from Kuwait, though the big general support grants to Arab States have been provided direct by the Ministry of Finance. The KFAED in 1976 made commitments of $322m., against $343m. in 1975 and $143m. in 1974. Disbursements in 1976 were $170m. Both the drop in commitments last year and the level of disbursements reflect the small number of staff the Fund employs (the leap in commitments in 1973-74 was achieved without major increases in staff) and, more importantly, bottlenecks in the recipient countries.

Limited

The latter problem has become more evident as the Fund has spread its scope of operations to non-Arab Asia and Africa, where some of the world's poorest countries lie. Although the Fund's capital was quintupled from KD200m. to KD1bn. ($3.45bn.) in 1974 and its field of activities extended to outside the Arab world, the Fund's last fiscal year 1975-76 (in fact covering April 1, 1975, to June 30, 1976) was the first in which loans to non-Arab States were made.

Fawzi Sultan of the research department of the Fund (and also managing director of the Bank of Kuwait and the Middle East) explained: "Most of the Third World countries have limited absorptive capacities. The problem is not money but getting a project ready for financing." Some projects had taken the Fund five or six years to put together, he said.

This is why the Kuwait Fund has increasingly turned to co-operation with other Arab and

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Although consumer goods, notably cars, still account for over two fifths of imports, there are signs of a growing requirement in the construction sector, particularly in expansion of the port. Conditions of contract are getting easier, offering greater scope for Western expertise.

Foreign trade

[K]UWAIT is a country with long [ex]perience of oil wealth and its [dev]elopment dates from earlier [t]ies than its newer, booming [nei]ghbours. Its city has a more [...]shed air, and many of its [inf]rastructure facilities were [bui]lt in the original boom time. [Man]y of its public buildings are [...] years old or more, and the [arch]itectural experiments and [mon]strosities of the fifties and [...]ies are to be seen every[whe]re in Kuwait city.

[T]his early development has [bee]n clearly reflected in its [trad]e figures in the past. In [the] years 1970 to 1973, the [cou]ntry's import bill witnessed [an] annual increase of only 12 [per] cent., with a heavy emphasis [on l]uxury consumer goods. In [the] next two years 1974 and [1975], the annual increases [jump]ed to 47 and 52 per cent.

[In] value terms the imports [rose] from KD310m. in 1973 to [KD4]55m. in 1974, and to [KD6]93m. in 1975. Last year's [impo]rts are expected to be [aroun]d KD900m. and projec[tions] for this year indicate that [they] will top KD1bn. Much of [the i]ncreases can be accounted [for b]y the rise in world prices; [durin]g 1974 and 1975 prices [went] up by 22 and 23 per cent. [respe]ctively.

[Nev]ertheless, Kuwait is not [exper]iencing the annual doubl[ing o]f imports such as is cus[tomar]y in Abu Dhabi, Saudi [Arabi]a and Iran. The situation [is cha]nging fast, however, for [the S]tate is currently turning [its a]ttention to refurbishing [many] of its rather tarnished [public] services and facilities. A [larg]e programme to replace [old] buildings is planned, [more] than 20,000 low-cost [house]s are to be built and the [health] and education services [are] undergoing major expan[sion].

[Acc]ording to figures available [in] the current five-year plan for development, industrial investments are expected to be over KD1bn., of which more than three-quarters will be allocated to petroleum refining, gas liquefaction and petrochemicals. Investments in the non oil-related industries are estimated to total KD145m., of which the private sector is projected to contribute KD125m.

There is a new atmosphere in the air: for the first time in many years British and other international contractors are turning their attention to Kuwait. Harsh contract conditions have kept them away for over a decade, an absence which Asian and East European countries have capitalised on heavily. As the contracts get larger, the conditions of work are easing as the Kuwaitis are now seeking to encourage Western expertise back.

In the future, Kuwait's trade figures can be expected to reflect these large building programmes, both in the size and the make-up of the country's import bill. But for the moment consumer goods still account for over 43 per cent. of imports, the largest single item being passenger cars. Over 58,000 were imported in 1975 alone, representing 8.5 per cent. of total imports.

Luxury

With a per capita income estimated at over $15,000 a year or more, Kuwaitis exhibit a seemingly unquenchable thirst for luxury goods: city stores glitter with outrageous chandeliers, silverware and Paris fashions, all at Kuwait-style prices. Cadillacs jam the streets and fulfil the popular image of a modern wealthy Arab State. Yet as the Japanese have discovered, there also exists a growing demand for cheaper products from the middle-class expatriates, and imports of Japanese cars have soared, putting Japan top of the league.

Dominant as the consumer market is, the intermediate and capital markets are beginning to show gains. Imports of the former increased slightly from KD17m. to over KD20m. in 1975, while capitial goods showed increases of KD46m. to KD176m., a threefold jump, bringing the total to 25 per cent. of the total imports, compared with only 10 per cent. the previous year. Of these figures, industrial supplies accounted for nearly 20 per cent., machinery 14 per cent. and transport equipment 26 per cent.

Kuwait's port is already looking like any other Gulf State, for waiting times for conference ships has jumped to 53 days and for non-conference ships 110 days or more. This situation should be remedied as the new berths in the 18-berth development come on stream; already three are in use while construction continues around the quayside. The new expansion to Shweik port will bring the capacity of the city harbour up to a potential of 5m. tons a year; existing facilities are currently handling 3.5m. tons.

The congestion problem is particularly severe for cement shipments, for vessels loaded with cement are now obliged to wait about four months, and this has naturally had its effect on the price in Kuwait. Consideration is being given to offloading cement consignments up the coast at Doha in Kuwait. Another side-effect of the increasing congestion is a decline in the transit trade, and shipping circles in Kuwait now estimate that it is down to a third.

In view of the port problems, Kuwait is currently preparing the design of a further extension to the city port by an additional 27 berths. Consideration is also being given to a possible 15 more berths, which would bring the total at Shweik port to around 60 berths. The design work has already been awarded to Associated Marine Consultants of Holland: the contract is reckoned to be worth around KD200m., though estimates vary at this stage.

Kuwait's trading partners number 102 and growing competition is being felt by Western countries from the East European bloc countries such as Hungary, from Yugoslavia and from Asian nations. India and South Korea are doing well particularly in the construction field. These nations have been particularly active in the past year, holding fairs and exhibitions in Kuwait to familiarise local consumers. Such elementary tactics have landed China the ninth position in the import league table.

Dominate

However, it is the Western nations that continue to dominate the top of the table and statistics for the first six months of 1976 show that Japan has regained the top position it formerly held in 1974, ousting the U.S. Figures for the first half of 1976 show that Japan generated 21.4 per cent. of all of Kuwait's imports (KD91m.) compared with America's total of KD66m. West Germany has maintained its steady position as third supplier to Kuwait, increasing its market share from 10.9 in 1974 to 11.3 per cent in the first half of 1976.

Britain has remained in the fourth position for some years now, and finding it difficult to hold on to that. Its market share for the first six months of last year declined from 1975's 10.2 per cent. to 8.4 per cent. U.K. exports to Kuwait up to the end of November 1976 were valued at £129m. compared with £90m. for the corresponding period the year before. The hope is that the 1976 figures will be in the region of £145m. to £150m. But despite these encouraging increases Britain's market share has dropped.

However, Kuwaiti officials hasten to point out that Britain in many ways did reasonably well in all-round terms, for the figures of the top two, Japan and the U.S., are swollen by car deliveries. British firms such as Leyland and Ford have hitherto been on the boycott list—though since the former's name has been removed, the local agent is reputedly building up the necessary massive spare parts stockpile before launching the British car on the Kuwaiti market.

Kuwaitis have shown traditional loyalty to British consumer goods and to British expertise in the past. British firms are heavily involved in advisory contracts to various Government departments and projects. Gulf Port Management Services, a combination of the Mersey Docks and Harbour Company and Scruttons, is in the throes of beginning a management advisory contract for a section of Shweik port, while other consultants are involved in urban studies, airport management, the establishment of a stock exchange, and even in water conservation.

However, the Americans are making headway in this field, with advisory and technical management contracts with the Ministry of Communications, the Planning Board, and the Housing Authority. As more and more young Kuwaitis return from American universities, they bring with them attachment to American consumer goods and equipment.

Kathleen Bishtawi

Aid

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regional aid agencies, as well as international bodies such as the World Bank and its IDA affiliate, as a means of speeding up the flow of aid to the poorer nations. Joint missions to investigate projects in potential recipient countries, joint evaluation and joint financing of a project by more than one fund or agency all make sense both for the recipient and the donor, all of whose trained personnel are stretched to the limit. The Kuwait Fund is aiming for an eventual staff of 400: at present it has only 25-30 on the technical side, including only two or three legal advisers and two or three engineers. This would not be such a handicap if the KFAED did not set such great store by promoting only viable projects, ensuring the management of a venture is to its satisfaction and, wherever possible, financing directly the purchase of goods needed for the project.

At present, there is more co-operation between the aid agencies on missions, evaluation and general research than is suggested by the number of projects co-financed. In the 15-month period of the KFAED's 1975-76 fiscal year, eight of the 34 loan agreements concluded involved co-financing. The Fund's 20-year 4 per cent. loan of KD10m. to Egypt for the Abu Qir power plant is being supplemented by the Abu Dhabi Fund and French financial institutions. The Nouakchott-Kiffa road in Mauritania is being financed by the KFAED, the Kuwait-based Arab Fund for Economic and Social Development (AFESD) and the governments of Saudi Arabia and Abu Dhabi. Two other projects the KFAED is aiding in Mauritania are also co-financed: one with the IDA and the Canadian aid agency; the other with the IDA and the French aid agency. One of the best examples, however, is the Rahad irrigation project in Sudan, where the Kuwait Fund's 30-year, 3 per cent. KD11.2m. loan is supplemented with assistance from the IDA, AFESD, the Saudi Fund for Development and U.S. AID. Outside the Arab world, a project in Nepal is being co-financed by the KFAED, IDA, UNDP and Japan; and one in Sri Lanka by the KFAED, Asian Development Bank and the Kreditanstalt fur Wiederaufbau of West Germany.

The Kuwait Fund has traditionally concentrated on infrastructural projects, believing this to be the area where most economic impact can be registered and where commercial funds are least likely to be attracted. This line has been extended to the non-Arab world: 54 per cent. of the loans to African and Asian countries in 1975-76 were for power projects, followed by agriculture (22 per cent.), industry (16 per cent.) and transport and communications (8 per cent.).

Overall, non-Arab States received 14 loans worth KD75m. in 1975-76, while Arab States got 20 worth KD84.3m. In calendar 1976, interest rates on KFAED loans ranged between 0.5 and 4 per cent., maturities between 14 and 47 years and the grant element between 31 and 84 per cent. By the end of 1976, total disbursements from the Fund since the beginning of 1962 had reached KD160.4m. ($554m.) and total repayments KD39.6m. ($147m.).

Probably the biggest beneficiary of Kuwait's aid has been Egypt, as perhaps befits one of the countries which by launching the October 1973 war against Israel helped make the big oil price rises for OPEC members like Kuwait possible. Certainly in terms of Kuwait's bilateral aid in 1975 Egypt did best. It received $133m. of the $500m. committed by Kuwait in concessional bilateral assistance, compared with $43m. (the next biggest slice) for Sudan; and no less than $1.06bn. of non-concessional bilateral commitments of $1.75bn., compared with Syria's $200m. (again the next biggest).

Multilateral aid represented about a fifth of total aid commitments and disbursements in 1975 and was mainly directed towards the plethora of Arab aid institutions established since 1973. Kuwait is the biggest contributor to the AFESD, which it took the lead in establishing. The Arab Fund's paid-in capital stood at $352m. in March, 1976, of which Kuwait had contributed $103m.

To international bodies such as the IDA, the World Bank's "Third Window," and the UN Emergency Assistance Fund Kuwait contributed $9m., $20m. and $10m. respectively, in 1975. In the same year it also disbursed $363m. to the IMF Oil Facility (though this is not really aid, since the IMF regards subscriptions to the facility as remaining part of the subscriber's foreign exchange reserves).

Kuwait's other multilateral non-concessional assistance includes lending to the World Bank. In 1975-76, the Kuwait Investment Company and Dresdner Bank placed a DM400m. ($155m.) issue of 8 per cent. 10-year notes in Kuwait, the first sale of the bank's obligations in the Kuwaiti market since fiscal 1974 and the first not denominated in Kuwaiti dinars. In 1974—the last time the Bank had borrowed in Kuwait—KD25m. ($84.4m.) of 7½ per cent. 15-year bonds had been placed in the country.

It is difficult to assess the precise total of official and private flows from Kuwait to the poorer countries, because investment by various companies is not fully monitored. However, according to the OECD, known loan commitments at non-concessional terms and investments reached $1.77bn. in 1975, more than four times that of 1974. Disbursements of non-concessional aid are estimated at over $800m. in 1975 (excluding the IMF Oil Facility payment), over double the previous year's level.

The question of whether Kuwait's aid will start to go down as its financial surpluses do is still some way in the future, but there is a distinct feeling in official circles that the industrial nations should be doing more to help the Third World. Only one or two of the rich countries have so far managed to reach the UN target of 0.7 per cent. of GNP given as aid. The Kuwaiti Finance Minister, Abdel-Rahman al-Atiqi, summed up this feeling some time ago when he said, "Why does everyone expect us (the Arabs) to be the Godfather? This part of the world has been neglected for centuries and its wealth has been carried away by foreigners without giving it a hand for development."

P.F.

A group of Kuwaiti trainees at the Kuwait Oil Company's Vocational Training Centre.

Kuwait's industrial strategy has been geared to import substitution rather than the sort of grandiose projects of other Middle Eastern states. The Industrial Bank of Kuwait is playing a key role in initiating and financing industrial development and bringing in much-needed technology from abroad.

Industry

KUWAIT ALWAYS seems to have had a more sensible approach towards industrialisation than most of its colleagues in the Organisation of Petroleum Exporting Countries. There is none of the headlong rush to build up industry, with its attendant dangers of producing white elephants, that characterises some of its neighbours in the Gulf. Both the country's limitations in terms of resources and size and the risks of industrialisation have been recognised. The pattern of industrial development may have been fairly haphazard until a few years ago and the growth may have shown the predictable pattern, given the abundance of one resource (hydrocarbons) and the absence of most others, but Kuwait has been among the leaders of those urging co-ordination of industrial strategies among Gulf states, and it was certainly the first to worry about (and commission a study on) industrial pollution.

Kuwait has therefore rejected the idea of setting up a gas-reduction steel plant or an aluminium plant, simply because of its wealth of gas supplies, as other states in the area are doing or planning to do. In fact, the availability of sufficient gas for such industrial projects would be doubtful within a few years, given the conservationist attitude to oil production and the requirements of the giant gas utilisation project.

The other limits on Kuwait's industrial plans are manpower and the size of the Kuwaiti market. Non-Kuwaitis already outnumber the natives and the Government is not eager to tip the balance further in favour of immigrants by creating a large number of new jobs in industry. With a population of just over a million, the domestic market offers little attraction to most industrial entrepreneurs, especially as the minimal import controls and complete absence of foreign exchange controls mean everything can be imported cheaply.

Crucial

The Government has therefore had to play a crucial role in building up industry in the country since the 1960s. In the early part of that decade it formed the Kuwait Flour Mills Company and the National Industries Company, later selling half its shares to the public. These have been successful, both companies and NIC's affiliates, such as Kuwait Metal Pipes Company, exporting considerable amounts. The Government also set up industrial zones at Shuwaikh and Shuaiba (a third zone has since been laid out at East Ahmadi) to provide land for industrial use at nominal rent, together with necessary services; and passed the Industrial Law, giving industrialists exemption from the 4 per cent. tariff on imports of plant and raw materials and limited tariff protection for their own products.

These measures encouraged the setting up of a number of ventures in the building, food, clothing and oil services sectors, and some of the major merchant families such as Alghanim and Kharafi have been involved.

However, the picture by the early 1970s was still dominated by oil-related industries. In 1974, the latest year for which figures are available, petroleum refining and gas accounted for KD245.2m. of the KD364.4m. gross value of industrial production, with food and beverages next biggest at only KD24.2m. and clothing, footwear and leather products at KD17.6m. Industrial production is estimated to have grown at an annual rate of 15 per cent. in 1976 and 1975, at about 11 per cent. before that. But in 1974 the sector still accounted for less than 4 per cent. of gross domestic product and for about 11 per cent. of non-oil GDP.

Kuwait's new development plan for 1976-77/1980-81 recognises these realities. Industrial investment, according to one draft of the plan, is projected at KD910m., the bulk of which (KD765m.) is allocated to oil refining, gas liquefaction and petrochemicals. Non-oil related industries receive an estimated KD145m. worth of investments, with the private sector contributing an estimated KD125m. However, the most recent draft of the plan gives industrial investment, public and private, as KD1.133bn., though a breakdown of this is not available. The total value of industrial production outside oil and petrochemicals has been projected, on this draft, at KD126m. for 1975-76, KD145m. for 1976-77, KD167m. for 1977-78, rising to KD254m. by 1980-81. Some 11,500 more workers are expected to be needed by the industrial sector in the next five years, of whom about 2,200 will be at managerial level.

It is probable that the Government's industrial strategy will continue to be geared towards substitution for imports with relatively high transport costs—building materials especially, but also furniture, food and beverages; towards service activities—for the oil industry, shipping and general engineering; towards certain types of assembly operation, provided the number of extra jobs created is not too great; and towards mixing and conversion operations—for instance, processing raw paper into finished products such as serviettes and notepaper.

According to Issa Mazidi, Assistant Under-Secretary in charge of industrial affairs at the Ministry of Commerce and Industry, the Government also wants to concentrate on projects for which the raw materials, if not available locally, are at least to be found in the Arab world. A further consideration is co-ordination with other Gulf states. A Gulf Organisation for Industrial Consultation was set up a year ago by Kuwait, Saudi Arabia, Iraq, Bahrain, Qatar, the United Arab Emirates and Oman, with headquarters in Qatar. So far, little has been done except to appoint a board of directors, fix the capital and name a secretary-general. But the serious work of co-ordinating studies on industrial projects should have begun in earnest by the summer, and Kuwait is hoping to pursue through this body its desire for a joint iron and steel plant to serve the whole region.

Under the industrial law of 1975, no industrial company may be set up, nor its size, location or purpose be changed, without a permit from the Ministry of Commerce and Industry. The licensing of new projects and the expansion of existing ones is in the hands of the Ministry's Industrial Development Committee, meeting on average every fortnight. The committee not only considers projects put up to it but initiates projects itself and in general draws up the country's industrial strategy.

LOANS AND EQUITY COMMITMENTS BY INDUSTRIAL BANK OF KUWAIT DURING 1976
Classified by industrial sub-sector

	Number of projects	Total cost of projects KD000	IBK financing KD000
1 Metal products and engineering	5	26,990	11,910
2 Construction materials	10	16,636	6,695
3 Marine services	3	7,590	3,700
4 Paper and paper products	1	534	225
5 Chemical industries	2	516	350
6 Food and beverages	1	358	100
TOTAL	22	52,624	22,980

A key role in this has been assigned to the Industrial Bank of Kuwait, set up in late 1973 by the Ministry of Finance and Central Bank (49 per cent.) and commercial banks, insurance companies and some large industrial establishments (51 per cent.). Though short-term funds for working capital purposes had been available at favourable interest rates from the commercial banks, there was a gap in the provision for medium- and long-term funds which the IBK was intended to fill at subsidised interest rates.

Promising

The objectives of the Bank are: to develop a long-term industrial strategy in Kuwait; to initiate industrial projects and investments in the most promising sectors; to provide equity and medium- and long-term credits for new sound and viable projects and for the expansion of existing ones; to finance projects outside Kuwait which benefit Kuwaiti industries and their development; and to bring needed technology to Kuwait and find foreign partners with the necessary expertise to participate in such ventures. A further aim of the bank is to encourage the development of a domestic capital and money market in conjunction with other financial institutions in Kuwait in order to facilitate the channelling of private savings into industry. In line with this, the IBK in 1975 and 1976 made two public bond issues totalling KD18m.

The Bank has a capital KD10m. (fully paid). T Government made available it in 1975 a loan of KD100 for up to 15 years and at 3 per cent. By the end 1976, KD40m. of this had be drawn down.

The Bank lends with mat ties ranging up to ten years at a rate of 4 per cent. 50 per cent. of the total of a project (in special circ stances this can go up to 60 70 per cent.). The Bank c also provide equity partici tion (it usually does for p jects it initiates) and help fi Kuwaiti partners for jo ventures.

Projects

By the end of last year, t IBK had financed 39 proje costing about KD80m., of wh the bank contributed KD38m. loans and equity. In 1976 alo the IBK approved projects representing comm ments totalling KD22.37m. loans and KD610,000 in equ In the IBK's annual report 1976, the chairman and man ing director, Mohammad Sharekh, says these figu indicate the bank's "ability a relatively short time to attr Kuwaiti entrepreneurs industrial investment in the f of great profit expectations other fields."

Construction material proj continued to receive a la portion of the bank's comm ments, though a bigger vol of financing was allotted to metal products sector becaus one project—a shipbuilding repair yard.

The annual report highli three major developments in activities last year. One identifying and promo industrial projects, instead simply assisting with realisation of ideas suggeste it. This led to the setting of projects to recycle p using local waste paper ar glasswool plant using l sand. Another developm was the increase in the num of projects designed to s the whole Gulf area and just Kuwait. A third poin interest was the extensior the IBK's scope of operatior assist Kuwaiti entrepren expand their industrial in ment in the Gulf. Thus bank is co-operating Kuwaiti, Saudi and Bah investors to promote a pr to expand a glass bottle m facturing plant at Damm Saudi Arabia, to meet much larger regional dem A similar line will be pur in 1977, but for projects as these significant Ku participation in ownership clear complementarity with Kuwaiti economy will hav be shown. In addition, projects will not benefit the full financial ince accorded to industries Kuwait.

A significant project t considered by the bank plant to produce most of desalination equipment requ by Kuwait, as well as a su for export.

In the financial sphere, bank hopes, according to chairman, to float medium long-term bonds in 1977, as as to start issuing certificat deposit.

With the longest record for social welfare of all its neighbour Arab states, Kuwait is embarking on a major programme of expansion and replacement of services. Among present plans is one for closer cooperation between the Kuwaiti and British health services.

Social services

[K]WAIT WAS probably one of first of the oil States to ate a welfare state encompas- g free education, medical ser- s and social benefits. When blished, it offered protection Kuwaiti citizens "from the ile to the grave." Nowadays social services have a hard keeping up with the annual ulation increases with an astructure which dates back, many cases, nearly 20 years. the words of the Minister, sector of Kuwait's develop- t has been somewhat neglec- in the past few years, but there has been a change titude by the Government, the State is embarking on scale expansion and re- ment of facilities.

where is this expansion apparent than in health, any of the State's hospitals clinics date from the nal boom period of the late . In fact, not one hospital been built in Kuwait since In that time the number tients admitted to hospitals rapt from over 41,000 in to over 100,000 last year. cent report drawn up by h Ministry officials showed the expenditure per head pulation had gone up from in 1965 to only KD27 in a negligible increase bear- mind the rising cost of ment and staff. In the period the number of out- ts attending clinics and saries rocketed from 2.6m. early 7m. The doctor/ t ratio has actually ed.

[All]eviated

dismal situation will be ted to a certain extent by ree years' development hich began last year, and aims to create five hospi- ls for every 1,000 people. inistry is currently mid- in this expansion pro- e which is costing $300m. add four major city hos- and a total of 3,500 beds Kuwait medical system. 2,200 of these new beds in the four new hospi- e rest are for the replace- of existing facilities, ally in orthopaedic, chest maternity, geriatric and psychiatric clinics. The existing Sabah Hospital in Kuwait city is to have an additional 284 beds as well.

The completion of these four new hospitals will mean employ- ing a further 300 doctors and specialists and around 2,000 nurses, and to solve the inevit- able manpower problem which will arise within the next two years or less, the Kuwait Health Ministry has looked to Britain for help.

The British-trained Kuwait Health Minister, Dr. Abdul Rahman Al Awadi, seeks to have a more permanent arrangement with the British hospital system not only for the treatment of Kuwaiti patients in London, but also for the management of hos- pitals in Kuwait. "I don't want an arrangement — I want a cementing of the two health sys- tems," he explained. Already, the Kuwait Health Ministry has an arrangement with certain prestigious National Health hos- pitals in London for the supply of beds, but he is seeking a "twinning" of hospitals such as Guys and King's College with the new units that will be com- pleted shortly in Kuwait. The kind of agreement now being sought by the Kuwaitis would entail management by British doctors of the new hospitals, additional facilities being given to Kuwaiti medical students in British hospitals and universi- ties, a permanent supply of beds in London for all Kuwait patients, and possibly additional hospital staff such as British- trained nurses.

The Kuwait Health Ministry also seeks to increase the traffic of specialists who come for month-long visits from Britain. At the moment about 60 such visits occur every year. But the Ministry wants to increase this to 120 a year. "What we want is a linking of the two systems, something of a more permanent nature say for a period of 15 to 20 years," he says. Employing a commercial hospital management company such as other Gulf states have done is against Ministry policy. The proposals are still under study by Guy's Hospital and so far no response has been re- ceived from them. "If it was the Americans I was asking this of, they would be jumping down my throat with offers," quipped the Minister. The nego- tiations are to be continued at Ministerial level when Dr. Awadi visits London later this year.

The impetus behind such moves lies perhaps in the Kuwaitis' discontent with the present haphazard arrange- ments they have with British private doctors and hospitals. Naming several well-known private clinics in London, the Kuwaiti Minister complained that some of them had been engaging in "sheer commerce" and that the practice of "fee splitting" was common. "I do not want to send Kuwaitis to private hospitals any longer," said the Minister. The Kuwaiti authorities spend about £4m. annually on sending patients to London, and between 2,000 and 3,000 others go at their own expense spending a similar amount.

Education

A similar expansion is also underway in education where the government is undertaking a three-year development plan not only to increase the number of places available but to re- place existing facilities. About two-thirds of Kuwait's schools were built in the early 1960s. Total expenditure on education in 1974-75 was about KD62m. on both current and capital accounts—about 14 per cent. of the total government outlay. To-day, however, educational services take 24 per cent. of the current budget expenditure.

Over the next few years, the Ministry intends to build 182 new schools and train an additional 4,000 teachers. The present school system consists of about 300 schools handling approximately 250,000 pupils. There are over 18,000 teachers in the country, and every year the student intake increases by a further 10 per cent. This is largely due to the influx of new immigrants. Expatriates account for about 40 per cent. of the total. In the year 1975-76, when the intake was 202,000, Kuwaitis accounted for 121,000, with the next largest sub-group being Palestinians at nearly 40,000. A further 15,000 Palestinians were outside the Kuwait education system at special schools run by them- selves, though lately, room has been made for them in Kuwaiti government schools largely through afternoon lessons.

Within the Kuwait education system the student/teacher ratio has now gone down to nine pupils per teacher. Pro- gress has been made also in the last few years to bring down the illiteracy rate and it is now down to 8.5 per cent. for Kuwaitis between the age of ten and 14 years, though among older citizens it still hovers at 48 per cent. Adult literacy classes increased from 81 centres in 1972 to 125 two years later and the number of students now number over 26,000.

Kuwait is also generous in providing facilities at Kuwait University for non-Kuwaiti Arabs. This academic year, expatriate Arabs will account for 40 per cent. of the 7,000 students enrolled for the various degree courses. An engineering faculty has been added and there is a fully equipped and extensive medical training school. However, the majority of the students at the University were girls, for Kuwaiti male students are still going overseas for further education. Monthly overseas allowances average about $1,300 for each student at a foreign university.

Not surprisingly in a country which has the highest per capita income in the world, the budget of the Ministry of Social Affairs and Labour has one of the smallest allocations in the government budget. The Ministry is currently assisting over 9,000 families in Kuwait by small cash payments. The Ministry is also undertaking to bridge the gaps which exist in the labour code as it applies to Kuwaitis and non-Kuwaitis. One of the ideas currently under study is a social insurance scheme to which the employer will contribute. Kuwaitis will be the first to benefit from the scheme, but it is planned to extend it later to expatriate Arabs.

K.B.

Kuwait still has a large housing shortage, which the Government is working hard to overcome. This is "House Building Year" and present plans envisage that there will be ample housing, particularly at the bottom end, by the end of the decade.

Housing policy

[M]OST striking evidence of or the visitor to Kuwait the gleaming Cadillacs am the streets or the e shops, but the hous- o and three storey villas avenues which lead to each individually and ely designed, often mir- the owners' fantasies. e facaded with pillars. resemble Chinese and most are large to serve as minor pub- ings. Yet a short dis- om these monuments to chant class of Kuwait wling shanty towns and where families live a room.

question of housing at the very heart of the of the community, and Government's desire to ferential treatment to citizens who make up 50 per cent. of the m. Before the dissolu- the national assembly ust, the most hotly de- em was the housing and almost daily the deputies accused the ent of neglecting the hile being in open with the landowning class.

[Prog]ramme

[H]ardly a week goes by in without some announce- ng made about a new ion programme for low ses. The Housing Hamad Mubarak al s declared 1977 to be uilding" year, and it by 1980 the housing ll be a thing of the ome 60,000 units are over the next few d the authorities have ensure that every vill have a house of his 980. At present there 0 Kuwaitis on the Ministry's waiting list, and although the Government's attention is naturally turned towards satisfying the needs of their own citizens, consideration is also increasingly being given to the requirements of the majority of the population, the Arab expatriates.

The priority, however, is to *provide free housing* to low in- come Kuwaitis and to the grow- ing class of technocrats who staff the Government ministries. The Housing Ministry divides appli- *cants into two categories*, limited and middle income families; the latter are usually higher rank Government em- ployees. In the immediate future, 21,727 units are to be built in 21 areas of Kuwait, and in some instances new towns and villages are planned. The shanty towns, which are estimated to contain over *120,000 people*, are to be pulled down and re- placed by new communities and exclusive enclaves of Kuwaitis. New housing areas are planned for the areas of Jahra, Sulai- beya, Ardieh and Aukailia. Over 15,000 of these houses will go to low income families, and more than 4,000 will be villas for middle income em- ployees, and 2,000 family com- plexes are for higher rank civil servants. Each unit for low in- come families is estimated to cost over £32,000 to build.

For middle income employees who wish to design and build their own house, the Govern- ment offers interest-free loans through the Bank of Credit and Savings. Immediately after the dissolution of the National *Assembly*, the capital of the bank was increased by KD200m. to KD320m., and it is currently handling over 2,300 applications. The bank grants loans of up to *KD24,000* to middle income citi- zens payable over 40 years by deductions from their monthly salaries. Following complaints that the sum was not sufficient to cover soaring *construction* costs, the bank *recently* intro- duced a scheme whereby bricks, sand, cement and steel are avail- able at approximately half the present market price. So far more than 12,000 units have been financed and built by the bank.

Expatriate

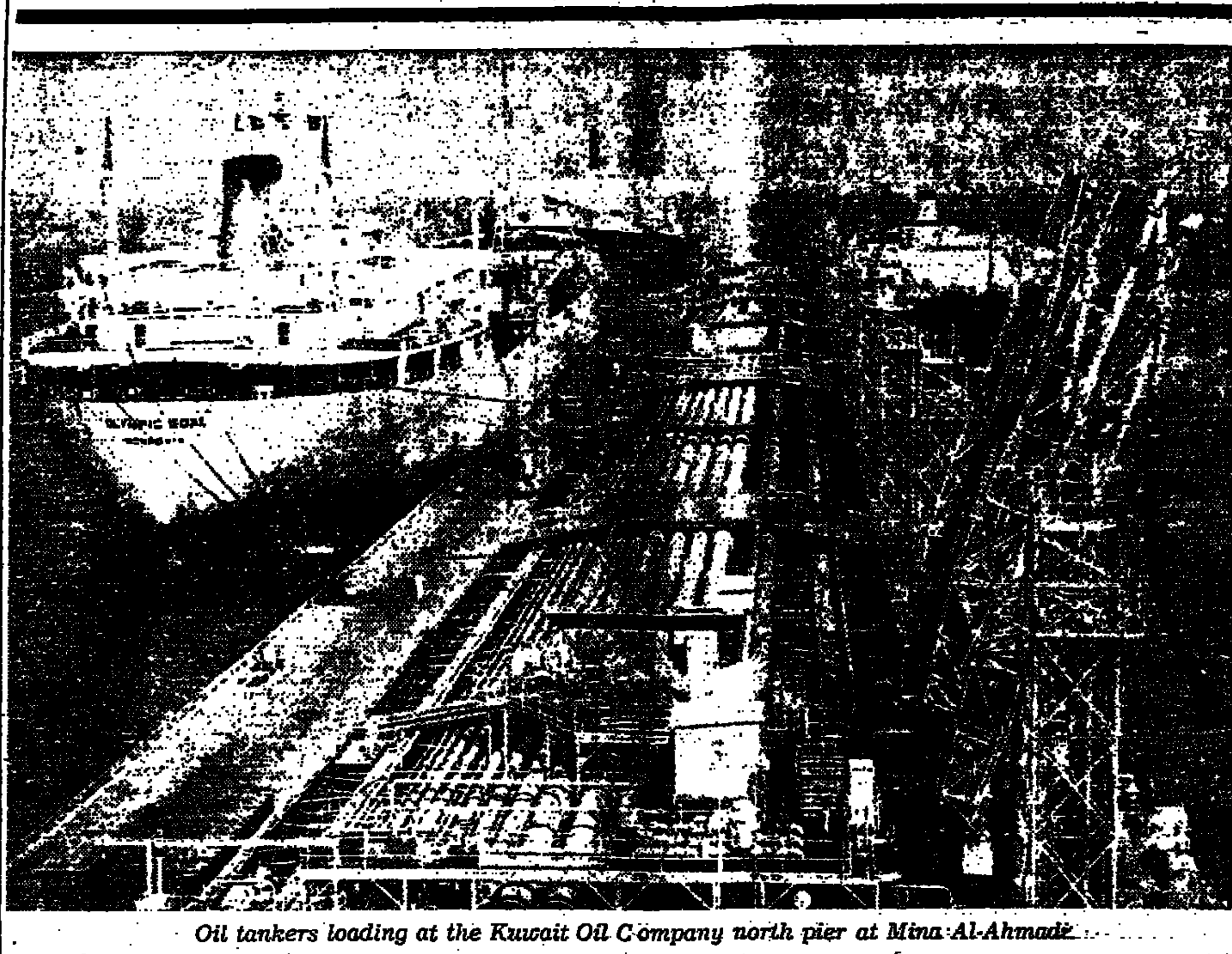
However, most hard pressed by the current housing crisis is the expatriate community which forms the majority of Kuwait's *present population of 1m.* A number of foreign Arab civil servants come on foreign con- tracts, which guarantee free housing, but many do not. To understand the needs of the Arab expatriates it is necessary to digress a little into their history in Kuwait. The develop- ment of Kuwait's economy came *relatively* early compared with other Gulf States, and the influx of immigrant workers and administrators dates back to the early 1930s. Many of Kuwait's expatriates have been in the country for 15 years or more, particularly the Pales- tinians, whose arrival in the State dates from after the demise *of Palestine. Thus many* new arrivals come to join friends or relatives in Kuwait, and for those, and others born in Kuwait, a local service con- tract *is frequently offered* which does not provide accom- modation. For such people, and for many others working in the private sector, there is only recourse to the commercial property market.

The *exorbitant* rents now being charged in the city are taking their toll of the ex- patriates, and Kuwait is becom- ing a less attractive place than other, newer Gulf States. How- ever, the problem is recognised by the Government and *for the* first time consideration is being given to expatriates in the *new* housing schemes to stop the flow of experts leaving the country. *Various Ministries are now planning to build more accommodation for their foreign* staff to compete with more attractive offers from other oil States. But at the moment it *is likely that the rent for an* apartment will exceed the monthly salary of a locally- employed teacher. For the Western expatriate, rents are *now in the region of £1,500 a* month for a modest apartment.

The major reason for the astronomical rents in Kuwait to-day lies in the heavy specula- tion in real estate which has allowed many local families to amass fortunes. Middle-income Kuwaitis are protected from the soaring land prices by aid from the Bank of Credit and Savings, which offers land at one dinar per square metre. Otherwise normal commercial rates range from £100 per square metre in *the suburban areas to £240 per* square metre in the inner city ring roads. Thus the incentive to developers is to build high- rise luxury blocks, which *cur- rently dominate the Kuwait* skyline.

Until recently, tenants were frequently faced with annual increases of 50 per cent., with the landlords using various tactics to get rid of tenants who refused to pay up, such as cut- ting off water supplies or elec- tricity. However, at the end of last year, the Government passed a decree forbidding increases of above 25 per cent., declaring that an owner could *only* increase *rents* by 25 per cent. every five years. The measure was unpopular enough, but an additional clause stated that no building could be *demolished until proved unsafe* to live in. This step will mean that Kuwait will be able to retain more cheaper accommo- dation units and will to a certain extent *hinder* the redevelopment of land for the construction of luxury blocks that few can afford.

K.B.



Oil tankers loading at the Kuwait Oil Company north pier at Mina Al-Ahmadi.

As its oil revenues are central to every aspect of Kuwait's development, events of the past year, notably the OPEC two-tier pricing agreement, are of crucial significance. Any reduction in output could pose a threat to a number of important areas such as industrial power supply.

Oil revenues

THE KUWAIT Oil Company (KOC) has had an eventful, not to say stressful, first year of operations since the government took over full control in November 1975. The reorganisation of the industry's structure was completed, but only after disagreements and even now there remain overlapping interests and conflicts to be removed.

But more crucial were the effects of the two-tier pricing agreed on at the December meeting of OPEC in Doha. The next few months will be crucial for if no compromise is reached before the next meeting of OPEC in Stockholm in July Kuwait will undoubtedly experience a fairly disastrous fall in output. This need not last for long, but it would underline how great is Kuwait's dependence on hydrocarbons.

First, a prolonged fall in output, and therefore revenues, could affect the build up of funds for investment. Second, Kuwait is exceptionally vulnerable on the market because of its heavy, sulphurous crude, and a halt in production for any period of time could lead to the loss of traditional customers. Indeed, Oil Ministry officials are only too aware of Saudi Arabia's attempts to steal some of these, because for the first time its comparable crude is cheaper. Thirdly, for Kuwait's industrial plans, which are heavily dependent on associated gas production, fall in output could affect the running of desalination and water plants but could also even call into question some important development projects.

The importance of oil is easy to grasp. Oil revenues in the budget are estimated at KD2.111bn. (an increase of 25.2 per cent. over the previous year's revenues of KD1.686bn.).

The budgetary revenue was made up of crude oil sales worth KD1.926bn. (up 68.5 per cent. on 1975-76), income from companies' tax payments KD146.8m. (down 57.7 per cent.), and royalties of KD38.2m. (down by 80.4 per cent.).

Energy

As crucial and seminal to the shape of economic development is the fact that oil and its associated gas provide almost all the energy for industry, and power and desalination plants. And Kuwait discovered its vulnerability to reduced oil production when some slight peak-load irregularities occurred in power plants and industry because of low gas pressure during the periods of lowest production.

The final moves towards Kuwait's takeover of its oil resources began in 1972 when a 25 per cent. participation arrangement was accepted. But the National Assembly rejected the terms and in June 1973 the government had to re-open negotiations.

By the following January 60 per cent. participation was agreed. An element of leap-frogging and competition with Saudi Arabia in its negotiations with Aramco accelerated Kuwait's approaches to KOC, and on March 5 1975 the takeover was announced. After often acrimonious negotiations the final terms were settled (and ratified on March 18, 1976) whereby KOC was taken over, but BP and Gulf agreed to buy 450,000 b/d over five years and 500,000 b/d a year apiece (with a built-in tolerance for over or underlifting of 10 per cent. a year or 15 per cent. overlifting or 12 per cent. underlifting per quarter) at a 15 cent discount. In addition, the companies agreed to use KOTC tankers and to pay their royalties and taxes in dollars.

Kuwait was strengthened in its negotiations with the oil companies by the fact that both the main Burgan field (whose reserves are put at between 40 and 50bn. barrels) and the others were relatively cheap and easy to run with no pressure problems, small distances to loading points and textbook reservoir structures. As a result there are a mere 12 members of BP and 16 of Gulf (plus 160 on direct hire) helping to run KOC. The development of a state structure has been less smooth. In July, the 1974 plan for a monolithic, Petromin-type organisation—the Kuwait Oil, Gas and Energy Corporation (KOGEC)—was dropped in favour of the government retaining the three existing companies—KOC handling production, the Kuwait National Petroleum Company (KNPC) to control refining and markets, and the Petrochemical Industries Company (whose remaining 5.5 per cent. in private hands was taken over). These were placed under the Oil Ministry, whose ultimate guidance comes from the Supreme Oil Council, headed by the Prime Minister.

The concession-holders Arabian Oil Company (of Japan) and Aminoil have no direct relations with the SOC but deal with the Oil Ministry. According to the authoritative Petroleum Intelligence Weekly, the KOGEC approach was halted by fears of the effects of over-centralisation. However, this reorganisation has left areas of responsibility vague and in some cases overlapping. Both KOC and KNPC have separate refineries, yet KNPC is charged with marketing KOC's products. The PIC aromatics plant depends on cheap naphtha from KNPC, which as a separate profit centre, making losses on its international operations, objected to KOC's expansion of the bitumen plant and KNPC's plans for a separate tanker fleet represented one company indulging in the fields of another. In addition, an exodus took place of experienced officials from the public to the private sector, disillusioned over the state of the national oil companies and their rivalries, creating a sophisticated manpower problem. At one stage in October the KOGEC concept nearly staged a revival as a means of sorting out intra-company confusions.

At the OPEC conference at Doha, Kuwait lined up with the 11 members who opted for a 10 per cent. price rise from January 1, followed by a further 5 per cent. from July (leaving Saudi Arabia and the UAE taking a 5 per cent. rise). The Oil Minister, Abdul-Muttaleb al-Kazemi, on December 20 justified Kuwait's position on television. He pleaded a 26.2 per cent. inflation rate exported to OPEC countries; the failure of the North-South dialogue; stockpiling by industrialised nations; and the need for an increase in prices to compensate oil producers for their losses. He stressed the importance to Kuwait of "the unity and solidarity of OPEC," but believed that a two-tier pricing policy was tolerable because Saudi Arabia and the UAE would not swamp the market. This has remained the official Government position but Kuwait has a very strong interest in negotiations which could produce a compromise.

OIL SECTOR SURVEY

Period	Crude oil production m. barrels	Crude oil exports m. barrels	Refined products exports* m. barrels	Natural gas production bn. cu. ft.	Natural gas utilisation bn. cu. ft.	Oil revenues† m. KD
1969	1,011.8	894.2	121.8	513.7	226.0	243
1970	1,090.6	941.7	154.6	570.4	188.0	280
1971	1,116.4	1,008.9	155.0	643.7	227.5	321
1972	1,201.6	1,070.6	146.5	647.8	246.8	501
1973	1,102.5	966.0	148.9	581.1	265.1	532
1974	929.4	804.8	132.7	466.9	251.4	578
1975	760.7	652.6	106.8	332.4	226.0	2,535
1976 (Jan.-Aug.)	447.7	368.5	88.1	225.5	156.3	2,443‡

* Including bunkers and exports of liquefied gas. † Year-ending March 31. ‡ Provisional for all 1976.

Source: Ministry of Oil.

Ceiling

"The production ceiling in Kuwait," as Mr. el Kazemi said last December, is 2m. b/d as an annual average." In the past, the National Assembly tried to impose a limit of 1.5m. b/d for conservation purposes. Kuwait is fortunate, however, in having reserves amounting, according to the daily al-Siyasa last September, to 71,200m. barrels, and capable of lasting for at least a century. The overall average production last year was 1.7m. b/d, but under the stresses of pre-OPEC stockpiling, which affected even the heavier crudes such as Kuwait's 31 degrees API, production rose from 1.91m. b/d in August to 2.70m. b/d in November. In December, the average was 3.3m. b/d, the highest ever and matched only in the peak production year 1972, and close, according to senior KOC officials, to the currently available maximum capacity.

In January, production fell to 1.29m. b/d and was likely to rise to 1.6m. b/d this month. According to the Petroleum Economist, 108m. tonnes were produced in 1976, 3.1 per cent. above the 104.8m. tonnes produced in 1975.

The Kuwaiti al-Qabas issued Oil Ministry figures to show the total production for 1976 amounted to 785m. b, or 2.14m. b/d, which amounted to a 3 per cent. rise. In global terms Kuwait was the sixth largest producer. Production by KOC, which operates all over Kuwait, averaged 1.92m. b/d or 699.9m. b; the American Independent Oil Company (Aminoil) which operates onshore in the former Neutral Zone, produce 29.52m. barrels, averaging 80,000 b/d, and the Arabian Oil Company (AOC) of Japan, which operates offshore in the zone produced a total of 56m. barrels in 1976.

The price of Kuwait's heavy 31 degree crude has risen from 11.230 a barrel to 12.37 a barrel from January 1, cheaper than Iranian heavy but, for the first time ever, several cents adrift of the Saudi medium equivalent crude which is now selling at 11.69. The two tier pricing has had no affect on Aminoil, which refines all its offtake and exports the products as at Ras Tanura prices, 5 per cent. up in line with Saudi terms. Offshore AOC (with Getty) produced only 95,000 b/d in January (compared with a capacity of 500,000 b/d), and the pricing represents a spread between 5 and 10 per cent. rises, reflecting the different Saudi and Kuwaiti positions.

Kuwait has concluded a number of contract sales which amount to nearly 2m. b/d. The larger ones—500,000 b/d for Gulf, 450,000 b/d for BP, and 310,000 b/d for Shell—have been supplemented by sales of between 250,000 and 350,000 b/d to KNPC, AOC and Aminoil for refining purposes, 85,000 b/d for Petrobras of Brazil, 50,000 b/d for Ecol of the U.S., 40,000 b/d for Motoroil (Hellas) of Greece, 30,000 b/d for Saroc, 20,000 b/d for Pont Oil both of Italy, and some undefined contracts for companies from Romania, Philippines, Thailand, the Chinese Petroleum Corporation of Taiwan, and Japan.

CONTINUED ON NEXT PAGE

Kuwait looks to the natural gas associated with its oil flows as a major energy source and feedstock for its industrial programme. Utilisation is already the highest in the region, and will increase, but supplies at present are directly geared to the level of oil production

Natural gas

...use of natural gas has ... the centrepiece of ... development of in... Utilisation is the highest ... Middle East, the propor... fared off having fallen ... per cent. in 1973 to ... age of 30.7 per cent. ... the first eight months of ... ar. Even so, this amount ... med wasteful, and once ... Government has fully ... ed its priorities it seems ... mined to use it in new ... ies. At present, about ... cent. of gas produced is ... y industrial companies, ... cent. is injected into oil- ... partly to keep up pres- ... d partly to avoid waste ... he remainder is used by ... te.

...ction in 1976 was ... d to be only about one ... t. less than that in 1975 ... 82.4bn. cubic feet were ... d, 18.1 per cent. less ... e previous year. All ... s gas—barring a small ... ion of condensates drawn ... il tanks—is associated ... therefore gas produc- ... its peak in 1972, with ... cubic feet, simul- ... y with the highest pro- ... levels of petroleum.

...sent Kuwait's plans for ... s gas industrially pose ... roblems, for until non- ... d gas is discovered— ... re are hopes that the ... illing in the Burgan ... y provide a solution— ... e dependent on oil pro- ... Non-associated gas is ... o exist in the Dorra ... shore in the Neutral ... t this could only be ... d with Saudi agree-...

...nistry officials are con- ... hat those industries ... it on gas for fuel are ... enough to turn to fuel ... offset the shortage of ... gas in the future, ... rly methane and ... after the LPG project ... function in 1978, it is ... at high sulphur fuel ... uced locally and not a ... export, may replace ... dustrial fuel once its ... content has been ...

...ensus

...op in oil production ... speculation, however, ... levels at which cuts ... industry or domestic ... ht have to be made. ... nates vary but the ... seems to be that ... d of oil production is ... um tolerable level in ... d 1m. b/d in summer ... longed basis before ... to be made—first in ... consumption, then in ... use, and ultimately in ... and desalination.

...h production dipped ... days in January to ... /d, the chances of ... enforce such cutbacks ... ed to be remote. A ... C official estimated ... 0 b/d would be suffi- ... el the electricity and ... a plants.

...hammed Nusseir, an ... etary at the Oil ... has defined the crux ... 's gas problem. He ... ven if oil production ... e 3m. b/d required ... e demand of the plant ... there would still be a serious shortage for other users. This would amount to over 400m. cubic feet a day, and the deficit would naturally rise as the level of oil production fell.

Abdul-Mutallib al-Kazemi, the Oil Minister, raised an even more crucial point at an LPG seminar in Kuwait last October. He estimated that OPEC companies were planning to increase their LPG capacity from 8.5m. tonnes in 1975, to 27m. tonnes in 1980, to 41m. tonnes in 1985, and to 46m. tonnes in 1990. Most of this would be in the Gulf area, with the result that there could be a surplus lasting beyond the 1980s, and leading already in 1980 to half of projected capacity lying idle.

Unnamed

Kuwait has already one LPG plant at Mina al-Ahmadi, belonging to KOC, with a capacity of 300,000 b/d. The Japanese companies—Idemitsu, Kyodo Oil, Maruzen Oil, and Bridgestone—have signed contracts for 800,000 tonnes a year, alongside one other unnamed American customer. But to keep its competitive edge the Government has been forced to drop its price per ton by $2.5 to $120 in July and again until it cost $118.25 a tonne at the end of the year (compared with a price of $128 in 1974).

Both exports and production of liquefied gas products were down in 1975, by 15.9 per cent. and 15.6 per cent. respectively. Exports fell from 20.52m. b/d (natural gasoline 5.17m. b/d, propane 8.04m. b/d, butane 7.31m. b/d) to 17.25m. b/d (4.46m. b/d, 7.02m. b/d, 5.77m b/d). Production fell from 20.90m. b/d (natural gasoline 5.67m. b/d, propane 7.99m. b/d, butane 7.24m. b/d) to 17.64m. b/d (4.67m. b/d, 6.95m. b/d, 6.02m. b/d).

At present the LPG project remains the centrepiece of Kuwait's industrial development and its foundation stone was laid by the Ruler on November 3. Expressions of concern that there will be neither sufficient gas nor demand are countered by the argument that even if not all the LPG trains are used, it would be cheaper to incur the massive capital costs now rather than later. KD309m. have been set aside over the next four years for the construction in the Shuaiba industrial area of a plant, requiring at full stretch the associated gas from 3m. b/d. to produce between 4m. and 5m. tonnes a year of propane (100,000 b/d capacity), butane (55,000 b/d) and natural gasoline (41,000 b/d). The Eastern Bechtel Corporation won the $16m. contract as project managers and consultants.

IHI (Japan) is handling the gas recovery and transportation; Kellog International Corporation the plant itself, for which three LGP trains, each with a capacity of 16m. cubic metres a day are required. Chicago Bridge and Iron Company is constructing the LPG storage plant, and the construction of 360 miles of pipeline has been awarded to Kuwait Metal Pipe Company. Santa Fe International Corporation and Conco (Kuwait). The plant expects to be on stream in 1978. From the French shipyards, Chantiers Navals de la Ciotat, have been ordered four LPG carriers, costing a total of $203m., for delivery between 1977 and 1979.

The Petrochemical Industries Company (PIC) is the Kuwaiti oil industries' main vehicle for control of petrochemicals. It was established in 1963 with a Government holding of 80 per cent., but in line with the Government's policy of keeping complete organisational and financial control over the strategic sectors of the economy, private shareholders have been gradually bought out until in March last year the takeover of the final 5.5 per cent. was approved.

It currently owns three plants. The first has the capacity to produce 550 tonnes a day of urea (for which work to expand capacity to 900 tonnes is expected to be completed in April this year); and 400 tonnes of ammonia. In 1973 PIC bought out the Kuwait Chemical Fertiliser Company (KCFC), which has been merged into PIC as the Chemical Fertiliser Division. Gulf and BP are shareholders in a plant also at Shuaiba with a daily capacity of 1,400 tonnes of urea from two units, 1,600 tonnes of ammonia from two units, 400 tonnes of sulphuric acid and 500 tonnes of ammonium sulphate. Over the past two years however, this plant has been running at 75 per cent. capacity.

Production of liquid ammonia totalled 522,750 tonnes in 1975 (2.9 per cent. up on the 507,900 tonnes of 1974) urea 554,350 tonnes (2.3 per cent. up on 542,000 tonnes), ammonium sulphate 98,000 tonnes (10.1 per cent. down on the 109,000 tonnes produced in 1974), and sulphuric acid 85,000 tonnes (14.1 per cent. down on the 99,000 tonnes produced in the previous year). Production averaged no more than just over 80 per cent. of capacity, mainly because of problems in gas compressors and in the high pressure system. Sulphuric acid and ammonium sulphate output registered only 71 and 86 per cent. of capacity because of breakdowns in the plants.

PIC's third plant, a salt and chloride plant at Shuwaikh was acquired from the Ministry of Electricity and Water in 1974. Because of a decrease in demand and the limited marketing ability of this division of PIC, production was often well below capacity. In 1975 chlorine production totalled 7,380 tonnes (73 per cent. of capacity), caustic soda 8,330 tonnes (73 per cent.), salt in bulk 15,300 tonnes (102 per cent.), table and industrial salt 3,190 tonnes (53 per cent.), hydrochloric acid 197,600 gallons (56 per cent.), sodium hypochlorite 13,300 cubic metres (76 per cent.), and distilled water 97m. gallons (85 per cent.). In 1975 PIC recorded a profit of KD28.8m. in spite of prices falling in the second half of the year.

PIC has been involved in an unsuccessful joint venture with Azot Sanayii of Turkey, called the Mediterranean Fertiliser Industries, at Mersin. Because of below-cost sales prices imposed by the Turkish Pricing Committee, losses in 1975 of KD0.6m. were recorded. With the experience of this venture in mind, there has been hesitant progress in a joint venture with Romania, agreed originally in March 1975, for the construction of a petrochemical plant on the Black Sea coast near Constanta. Kuwait is to provide half the $1bn. capital and supply the crude oil, but the final decision will be delayed until the French semi-governmental organisation Bureau d'Etudes Industrielles et de Co-operation (BEICIP) submits its final studies next month.

Feedstocks

Under consideration are two other important PIC projects, which will tie in through their feedstocks with the rest of petrochemical projects. Chemsystems of the U.K. has completed detailed marketing studies of an olefins complex which would use ethane-rich gas as feedstock from the LPG plant to cost $500m. in order to produce ethylene, the basic material for the production of intermediate products needed in the plastics industry. A final Government decision for this project which originally was due to be completed in 1980 but is bound to be late, is awaited.

Chemsystems have also did a market study, and Procon the technical feasiblity study, for a $200m. aromatics complex, drawing on about 37,000 b/d of naphtha from the KNPC plant at Shuaiba to produce 284,000 tonnes of benzene a year, 87,000 tonnes of para-xylene, and 60,000 tonnes of orthp-xylene. W. R. Grace has withdrawn from the 20 per cent. contribution to the joint venture with PIC, and the prequalifications are under study by the Industrial Projects Priorities Committee of the Oil Ministry. Kuwait habitually moves with caution before committing itself to major projects such as these.

As one means of protection against risks it has called, so far in vain, for closer co-operation in refining and petrochemical projects in the Gulf. But the risks through shortfall of feedstock and world prices still puts the execution of some of these major undertakings in the balance, and has led to a reappraisal of industrial priorities.

A.McD.

Oil

CONTINUED FROM PREVIOUS PAGE

The territory of Kuwait has been extensively surveyed, but as this technology develops, so the results of previous surveys are being examined but usually without making new discoveries, however surveys for new reserves are being made in the Burgan and Ahmadi areas.

Drilling is being carried out in two areas. In the sensitive area of Jerfan, near the Iraqi border, it has reached about half the target depth of 11,000 feet. In September, Parker Drilling Company of the U.S. won a $10m. contract to drill near Ahmadi a 20,000 feet test well—the deepest in the Middle East—in the Burgan field passing through hydrocarbon layers under oil-bearing strata in the search for gas. Drilling is to begin in the middle of this year.

Kuwait's main export markets in 1975 were Japan (486,600 b/d), Holland (192,000 b/d), U.K. (166,500 b/d), South Korea (159,200 b/d), France (126,600 b/d), Brazil (99,300 b/d), and Malaysia and Singapore (92,100 b/d). For the first time, Asia and the Far East took more oil than Europe from Kuwait—in 1976 48.3 per cent. to Europe's 38 per cent., compared with 41.7 per cent. and 48.2 per cent. respectively in 1975.

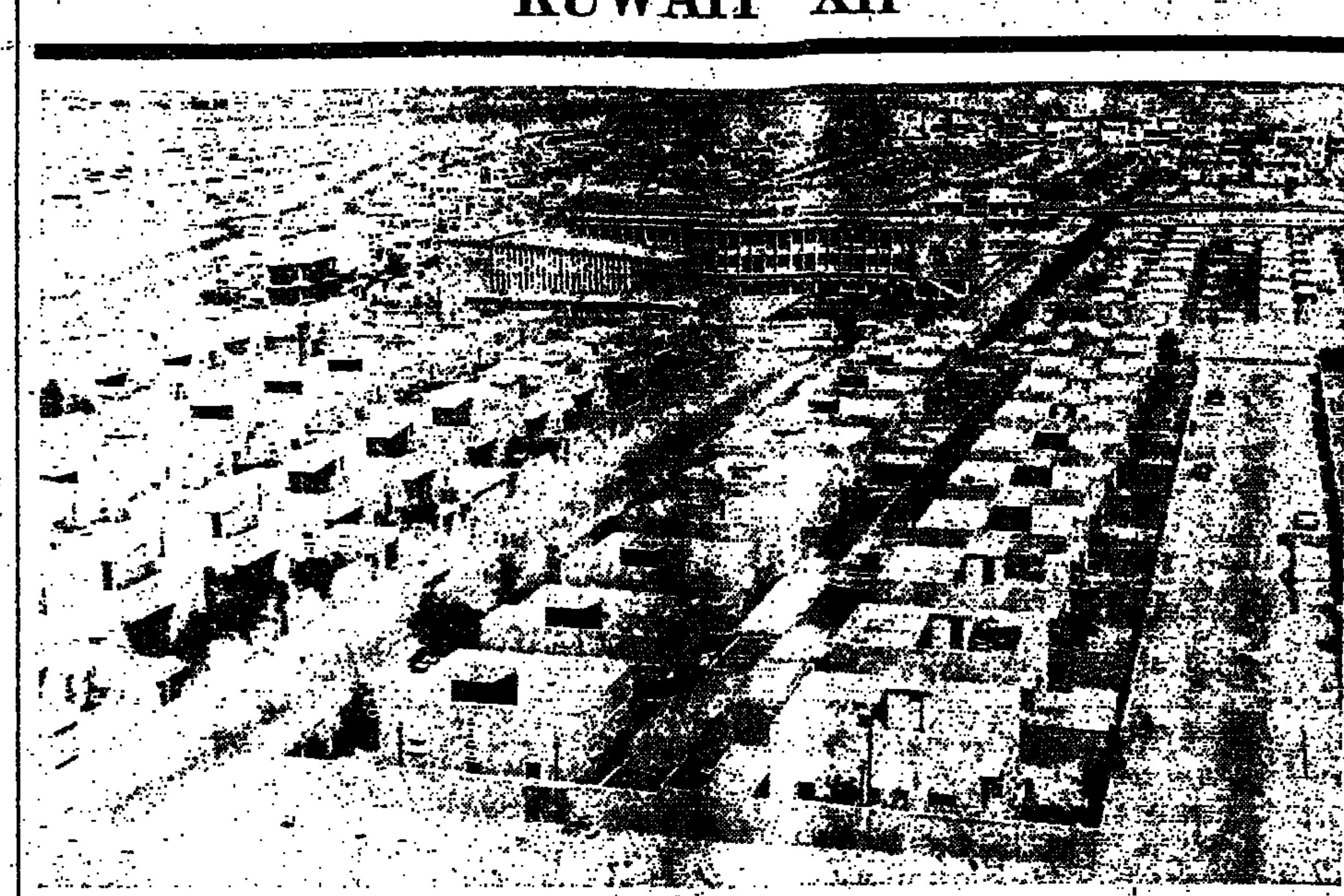
With a capacity of 380,000 b/d. Kuwait has the second largest refining capacity in the Middle East after Iran. The biggest refinery is at Mina al-Ahmadi, and has a capacity of 300,000 b/d. In design it is little more than a conventional topping plant. The KNPC refinery at Shuaiba is a far more sophisticated plant with capacity for 280,000 b/d, but it is running currently at between 150,000 and 175,000 b/d. There are plans to expand its production to 400,000 b/d at the cost of KD500m.

Aminoil's refinery at Mina Abdullah has a capacity of 144,000 b/d, and AOC has a small plant at Ras al-Khafji of 30,000 b/d capacity. Last year KNPC won a $25m. contract to supply the U.S. Navy with 69.5m. gallons of fuel during the first six months of 1976, and also signed agreements to supply Yemen with 200,000 tons over three years, and Sudan with 70,000 tons this year. In 1975, Asia and the Far East took 152,900 b/d, well over half the year's average output of 253,200 b/d, with the main importers being Japan (75,500 b/d), the Gulf states (19,100 b/d) and the U.S. (10,100 b/d).

Production during the first half of 1976 with 65.1m. barrels is well up on the production for the equivalent period in 1975 of 48.1m. U.S. barrels (total 1975 production amounted to 106.8m. barrels, exceptionally below the average production of 147.5m. barrels of the previous five years). Nevertheless, as KNPC found in 1975 when its international refining marketing group recorded a loss of $8.2m. on revenues of $598m. (compared with a profit of $52.5m. in 1974), the viability of this industry as an income earner is more vulnerable than in countries outside the Middle East to product surpluses abroad and declining prices.

A.McD.

KUWAIT XII



A housing estate for lower income Kuwaitis.

British construction companies are notable by their absence from the Kuwait market, having been frightened away by the strict contract terms introduced some years ago. But there are now some signs of relaxation of the rules as Kuwait's second development boom gets under way.

Construction

FIFTEEN YEARS ago when Kuwait began its boom period, British contractors were thick on the ground. That lasted until the introduction by the Kuwaitis of fixed price contracts. Soon afterwards, the U.K. building presence de-camped en masse in search of easier work. Since then not one British company has been awarded a construction contract in Kuwait.

Now the Kuwaitis are moving into a second development boom, and building new public facilities to replace the original infrastructure, and the contracts are getting larger. Yet British contractors are still wary of the Kuwaiti market. So far only two U.K. companies have moved back in and set up a representative office. For the majority of British companies, the lower Gulf has proved an easier market, particularly the United Arab Emirates.

However, competition in the Middle East is getting warmer. In general terms, there seems little change in contract conditions, but the fixed price contract with hefty performance bonds has become the norm in the Middle East. Nevertheless there are perceptible changes to be seen in the Kuwaiti's attitude towards contract terms in major construction projects.

While the British have decided that the Kuwaiti market is a risk, other international contractors have not and when U.K. companies turned their attention elsewhere, the Germans, Dutch, Japanese and Americans moved in. What the British decided was possibly unprofitable and risky, others did not.

Risky

In the British view, fixed price contracts are still risky. "We're in contracting, not gambling," a U.K. contractor recently told a Ministry of Public Works official in Kuwait. The great imponderables are wages for unskilled labour when there is a shortage of labour in Kuwait, and materials, when port congestion is currently running at over 50 days for conference line vessels. Basic construction materials go through radical price fluctuations in Kuwait.

The other major problems (common to all Gulf countries) are the Kuwaitis' insistence on 10 per cent. performance bonds backed by bank guarantees, and the possibility that any dispute arising between client and contractor goes to an arbitartion court. Other considerations in the past were that there were enough local contractors of sufficient expertise to handle many of the government contracts. Kuwaiti construction companies have attracted a great deal of Western engineering expertise, mostly British, and now their major companies are capable of a high standard of diversified work. Many of them have annual turnovers of over £200m. and have begun tendering in other Arab States for work. They are saturated with work locally, derived not only from the public sector but also from private development.

However, the Kuwaitis now want the larger Western specialised contractors back, particularly the British. During the past 15 years, the fixed price contracts policy has caused unexpected problems for government departments, the most frequent being a lack of tenderers. The normal process in tendering in Kuwait is that the government approaches a number of international contractors it considers suitable for the job. In the past, what may have started as a prequalifying list of 22 companies, has frequently ended with only two or three companies actually tendering.

This has happened on several major contracts in Kuwait recently such as one of the new city hospitals, a $70m. project which only attracted three bids. Two British companies were invited to tender for the work, but declined to do so. Only three or four bids were received for a $100m. contract for the construction of Kuwait's new airport terminal. These and other problems incurred from contracts recently, have seemingly led the Kuwait authorities to re-examine the contractual terms.

It appears that the Kuwait authorities are keen to have the British back particularly, and their names appear on almost every pre-qualification list for international contracts. One local consultant reasoned that British expertise is now the cheapest in the West. British companies can offer a high quality product at the cheapest man-hour rates.

Whatever the reason for the invitation, the willingness to think again about contract terms was evidenced recently by a visit made at the instigation of the Kuwaitis by Britain's Export Group International, an association of British international contractors. A three-man team led by the top executives in the most prestigious U.K. companies visited Kuwait late last year, and have subsequently submitted a lengthy report to the local authorities concerning contract conditions. The official reaction has yet to come from the relevant government departments, but recent tenders issued do show variations on previous attitudes.

One of the largest contracts soon to be awarded will be for the first phase of a $1bn. project to construct a highway between Kuwait city and Ahmadi, the oil town to the south. In this context there is a clause which allows for escalation of price of materials and labour. This is the first such clause to appear for many years in Kuwait. All source materials are included in the escalation clause except aggregate. (The local Kuwait source for aggregate in the northern desert area of the country is fast running out and the price fluctuates madly each day.) All the contractor has to do is to submit invoices that he is obliged to pay more for labour or materials, and the information is checked with local sources.

Interesting

Perhaps the most interesting part of the motorway clause is that the performance bond is allowed to be guaranteed by an insurance company as well as a bank. Previously, one of the major stumbling blocks to contracting in the Middle East, is that home-based banks have been fearful of such bonds which are payable on demand. Subsequently the bond has affected the existing credit facilities of the company, often tying up vast amounts of capital for years.

The surety bond from insurance companies is an entirely new development in Kuwait, and possibly in the Middle East. As yet, the local insurance companies have not been approached about the possibilities of tying up such a package. (Foreign companies would be obliged to use the local Kuwait insurance companies unless it can be proved that their prices are ten per cent. more than offered by a company outside.) The tenders have yet to be published, and it is not known at this stage how many of the 20-odd tenderers will go for the normal bank guarantee or a bond from an insurance company. Whatever the result, it will have ramifications in the entire area. Perhaps not surprisingly this contract has attracted five bids from Britain and at least the same number from the U.S.

Another significant deve[lop]ment has cropped up in a [...] contract for the construc[tion] of a government minis[try] complex. In this case, the [per]formance bond has [been] lowered to 5 per cent. and [the] advance payment been [in]creased to 20 per cent. whi[ch is] above normal in Kuwait.

The advance payment is [pay]able in stages, 10 per c[ent.] within one month after signing of the contract, 5 [per] cent. upon presentation of sub-contracts, and the las[t ...] per cent. when labour acc[om]modation has been built [and] paid for. While such pay[ments] may be the norm in the [other] parts of the Gulf and S[audi] Arabia, Kuwait only be[gan ...] them five years ago, and [the] latest contract may indicat[e a] willingness to get into line [with] the practice in other areas.

Arbitration

The other apprehension by British contractors [con]cerned arbitration. It is n[...] years since a dispute has [...] to an arbitration court, an[d] contracts specify that [the] nominees on the tribunal sh[ould] comprise of one representa[tive] from the client employers, [one] from the contractor and [one] chosen from the Internati[onal] Chamber of Commerce in P[aris]. The last case which occu[rred] was tried in England [by] English lawyers, the autho[rities] point out.

For British contractors [want]ing to come back, local so[urces] advise a relationship wi[th a] reputable local contractor [who] can act as a work scout [and] adviser on local conditions. [In the] private sector, the British [com]panies are already finding [they] can generate worthwhile [con]tracts, perhaps more pro[fit]atical than simple str[aight]forward dealings with a go[vern]ment department. How[ever,] when tendering for a co[ntract] with a government depart[ment] it is advisable to fully i[nform] the client about the exact n[ature] of the local tie-up, for [one] British company nearly lo[st an] international contract be[cause] the department misunder[stood] the fact that it would b[e the] local partner of the con[sortium] which would be undert[aking] the major part of the [work] under British supervision.

Kuwait is thus rapidly b[ecom]ing a market of intere[st to] international contractors, [not] only through these [...] variations in contract cond[itions] but also other local ci[rcum]stances. Labour is no pr[oblem] and though theoreticall[y a] search has to be mad[e for] Kuwaiti labourers, then [Arab] and then Muslim, permiss[ion to] import Asians is reputedl[y rela]tively easy to secure. I[t ...] the authorities prefer it b[ecause] they do not want contract[ors on] large projects taking [large] numbers of labourers out [of the] Kuwaiti market, thus p[ushing] up daily rates.

Another consideration [...] the Kuwaiti market is not [...] with the embarrassment [of the] "baksheesh factor" whic[h per]sists in other areas. The K[uwaiti] administration is reli[ably] sophisticated and strea[mlined] to preclude the necessi[ty of] such payments. An add[itional] factor is that the Kuwait[is are] more quality-conscious [than] perhaps other states; the t[ragedy] of May 1974 when an [apartment] block collapsed killin[g ...] people is vividly remen[bered] by many.

POLITICS TO-DAY BY DAVID WATT

Counter-attack against the Left

COUNTER attack against ... Left within the Labour ... is now gathering momen- ... and while this pheno- ... has been predictable, the turn of ... since the New Year has sufficiently marked to ... some description of the ... of the campaign.

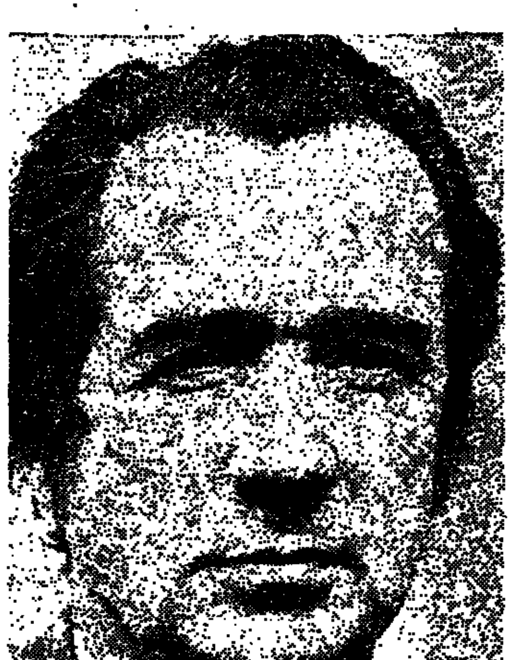
... st of all, the change in the ... of opinion in Labour ... fluencies has started to be- noticeable. I have talked ... good many Labour MPs ... this recently, particularly ... on the Right of the ... who have been under ... from the Left in the past. ... are virtually unanimous ... there has been a percept- ... revulsion of feeling against ... The militants have not ... their attacks, of course, ... hat seems to have changed ... willingness of normally ... or complacent, centrists ... nd up and challenge the ... of the argument.

... has been particularly ... where the basis of ... has in the past been ... deplorable tendency to ... rt the Government in its ... anti-socialist policies. Indeed it is pretty plain ... what has really occurred ... grassroots has been a ... ence of loyalty to the ... nment among party ... In retrospect one can ... at the Labour Party con- ... in Blackpool was the ... point here. The ... of the National ... tive of the Party (or at ... the majority of it) ... with the militants in ... uldering the Prime ... er and howling down the ... ellor, was too much for a ... trade unionists and solid ... s in the centre of the ... for whom the word ... y" stands at the head of all other political virtues.

Another remarkable development has been the willingness of leading politicians in the Party to exploit this movement of opinion. The meeting of Party activists, chaired by Mr. Bill Rodgers, the Minister of Transport, last Saturday appears to have been a considerable success as a demonstration of exasperation with the "wreckers." A movement of this kind can easily overreach itself, of course, if it can be labelled by its opponents as a disruptive "party within a party." But so long as it sticks to its present image of being a collection of like-minded loyalists conducting (as the name of the movement implies) a "Campaign for a Labour Victory" it might put a lot of extra heart into the anti-Left campaign at a crucial level of operations.

At a more exalted level the centre-right Manifesto Group in Parliament has prepared a fairly elaborate statement of its present programme, which will be published in ten days time and which apparently stakes out a strongly loyalist, anti-left position. At a higher level still the Prime Minister himself is doing battle with the Left-wing in the party's National Executive combining a fair amount of truculence in the semi-public forum of NEC meetings with a major arm-twisting operation behind the scenes directed to persuading the trade union leaders to switch their block votes next October to moderate candidates in the Women's Section.

Finally there is the promotion of Dr. David Owen, formerly a leading Jenkinsite and pro-Marketeer, to the Foreign Office. In spite of the "countervailing" promotion of Mr. Frank Judd and the reinstatement of Mrs. Hart, this is a shrewd blow against the Left. It not only substitutes a convinced and active Europeanism for Mr. Crosland's slightly reluctant variety, it catapults into public prominence a new centre-right star who now has 20 years, if he wants it, to build up his position from a very advantageous base.



Ashley Ashwood Leonard Burt

Labour's Right's most plausible standard bearer. Mrs. Shirley Williams, and her nearest rival. Mr. William Rodgers.

For this state of affairs most of the responsibility lies with the Prime Minister. None of it would have been thinkable under Sir Harold Wilson's regime. For one thing, Sir Harold would never have provoked the Left at Blackpool with the kind of no-holds-barred speech made by Mr. Callaghan. And even if there had been a Left-wing demonstration there might never have been a loyalist backlash—for who can suffer a revulsion in favour of ambiguity?

Again, Sir Harold would not have contenanced the launching of an anti-Left Campaign for a Labour Victory by a member of his own Cabinet and he would never, surely, have taken such risks with the Foreign Secretaryship. He had a soft spot himself for Dr. Owen but to have promoted him in such a positive gesture of defiance to the Left would have been entirely outside his range

So far, so good. But how much further can these gains be carried? The Prime Minister has certainly opened the way to the counter-attack and driven it home a certain distance himself. But the difficult part seems to me to begin from now on. There are at least four major problems which the centre-right of the Labour Party faces before it can be certain that it is winning and over two of them it has precious little control.

The first prerequisite of any major roll-back of the Left-wing encroachment is that the swing to the Right from the trade unions should continue. A Left-dominated trade union movement could wipe out all effective Right-wing resistance in very short order if it was really determined to do so. It would swamp the National Executive, exercise its muscle in many constituencies and blackmail the Government into social contract commitments at national level. There is, fortunately, no immediate prospect of this (much to the chagrin of the Tribune Left). But who knows whether the opposite will occur? The ebb and flow of opinion in the trade union movement operates according to obscure laws which seem to have no more than a remote connection with what is happening elsewhere on the political scene and which few politicians or even trade unionists claim fully to understand.

Another variable, not much easier to control at this stage, is the outcome of the next general election. It is indeed very appropriate for the centre-right activists to call themselves a "Campaign for a Labour Victory" since if there is no Labour victory there is a very fair chance that the Left will successfully revive the mythology of betrayal and cast them into outer darkness. The policies to which the moderates are now urging "loyalty" will be pilloried as having brought about the electoral débâcle and will be attacked with the more ferocity because they are likely to be the policies (at any rate on the central economic front) adopted by a new Conservative Government. In these circumstances, once again, the attitude of the unions would be crucial, but in general a sharp move to the Left in a defeated Labour Party must be regarded as the norm.

At first sight this seems to rule out any possibility of positive action on the part of the moderates to avert their fate. The Government is committed to its present economic strategy (and is, in fact, shackled to it by the IMF). This will either work or it will not, and the difference between success and failure seems to lie in the hands of external forces —President Carter's economists, the Scottish Nationalists, and whatever malign microbes are lying in wait for members of the Government benches. Nevertheless, this is not quite the end of the story. The Labour Right can in fact still contribute something to the climate in which the next election is fought and it can find itself (supposing that that election is lost) in better or worse condition for fighting a subsequent rearguard action against a probable Left-wing reaction.

The two essentials are first that it should have some kind of distinctive philosophy and the second that it should have some kind of unity. Neither of these is easy — mainly because there is nobody around to provide them. Now that Messrs Jenkins and Crosland have left the stage, the Right of the Labour Party lacks clear leadership. Mrs. Shirley Williams is at present far the most plausible standard-bearer, having a real following in the Party and in the country and being a member of the National Executive as well as the Cabinet, but so long as there are doubts about her toughness and about the willingness of the old Labour Party to vote for a woman, she is bound to be challenged. Her nearest rival on that wing is Mr. Rodgers, but he is not on the NEC and lacks her charisma. Mr Roy Hattersley and Dr. Owen are going to be in the running some day and may well prefer to play lone hands in the meantime. In other words, the failure of the Right to unite—which really constituted the chief cause of its downfall after the death of Hugh Gaitskell — could easily prove its undoing again.

The lack of a doctrine looks, at first sight, less serious. The Right has always defined itself to some extent by simple opposition to the Left and there is no particular difficulty, God knows, about perpetuating that distinction to-day. Nor is it too difficult to piece together a perfectly sensible eclectic programme of measures on the left-ward side of a central moderate consensus. One could concoct a modern Butskellite programme of this kind for instance, by picking out sentences here and there from the editorial columns of the Financial Times and the Guardian. The difficult trick is to get to grips with the kind of fundamental questions Anthony Crosland tried to answer 20 years ago in *The Future of Socialism*.

Labour politicians who are not simply Marxists cannot evade the problem that the temper of the times is against the socialism of the last 20 years. What is needed is a new synthesis which will explain to intelligent people why modern socialism need not entail curtailment of liberty, loss of incentives, stifling bureaucracy and overpowerful trade unions. The man who can produce and project such an explanation deserves to lead the Labour Party in the next generation for he will have solved the Party's electoral problems. But until he (or she) has appeared the outlook is very uncertain.

Letters to the Editor

...e GLC as an ...ate agent

...he Chairman, ... London Council ... Development ...ttee

— Joe Rogaly's facetious ... (February 18) is at least ... ig; but in the tradition ... rnalism we would expect ... he tabloids, not from the ... ial Times, he gave no ... s of the case for ... municipal estate agen- ... That case I believe rests ... need to reduce friction ... property market. Like ... ed for rationalisation of ... ilding societies, it is a ... subject to which the City ... to address itself. It is ... erefore that local govern- ... ok a hard look at the ... ractices which bedevil the ... market.

... are, I suppose, hundreds ... e agencies in London. ... re mainly small busi- ... accepting properties on ... oks from a small catch- ... ea. This is nothing to ... e GLC could offer in ... g through its (already ...) teleprocessing lettings ... which has a terminal at ... county lettings office, a ... for clients to see the ... ange of types, prices, and ... ll tenures, of property ... e. Inaccessibility of in- ... m is the friction which ... e house seeker; this in- ... puts up the cost of ... g demand, which is ... ng a municipal estate ... could rectify.

...ure

... ould be noted that I ... tenure. The lack of ... between tenure groups ... most notorious problem ... odern housing crisis. We ... here are still hundreds ... sands on the council ... waiting lists, and large ... s of young households ... to owner occupation. So- ... nid-tenure, which incor- ... the schemes for ... tive housing and equity ... are suitable ways of ... from the public rented ... into owner occupation. ... re is basically a local ... y sponsored idea and the ... is been the pioneer in ... d, but the number of ... is still small and again ... s a centralised oversight ... property market in Lon- ... keep prospective owners ... ants informed.

... services could be pro- ... I believe, more cheaply ... ivate estate agents pre- ... an do the job. This opens ... r to the usual criticism ... icipal enterprise that the ... ould disguise real over- ... nder accounts for other ... s. Local authorities ... arnt their lesson here: ... e GLC's municipal estate ... is introduced, assuming ... remains in control, it ... e done in the same way ... GLC's present direct ... organisation is being re- ... d—as a separate trading ... ation with separate ... s for all its activities. It ... iew that this is exactly ... pponents of municipal ... se are afraid of. Using ... mple of direct labour ... he Chartered Institute of ... Finance and Accoun- ... accounting proposals ... t yet been fully imple- ... but as they are coming ... ificant savings over the ... sector are being revealed ... on maintenance last year. ... mple

... municipal estate agency ... ut more expensive than ... vate sector then people ... t use it. If it doesn't ... e property market will find itself challenged by a good capitalist example of fair competition and Joe Rogaly will be eating his hat.

Richard A. Balfe.
County Hall, S.E.1.

Problems for a statistician

From the Director of Statistics, Departments of Industry, Trade and Prices and Consumer Protection—Common Services.

Sir, — Mr. Brittan ("Trade figures may be wrong" and "Import bill may be too high" February 2) is correct in pointing out that there are problems in measuring the sterling value of transactions in the balance of payments when the exchange rate is fluctuating. The problems are both conceptual and practical and we are looking at them. The problems do not relate only to imports of goods, and it would be too simple a conclusion to say that the visible trade deficit in 1976 is greatly exaggerated.

Valuation problems, such as that to which Mr. Brittan refers, affect many transactions in both the current and capital accounts of the balance of payments. For example, when the exchange rate is fluctuating, the sterling valuation of the exports of goods and services recorded in the current account may not match the corresponding financial entries in the capital account. In this connection it is known that the amount of forward selling of foreign currencies by United Kingdom exporters is substantial. There are, of course, other problems of valuation and timing which affect the overall consistency of the balance of payments.

At present, there is no evidence to show that the total effect of the difficulties in valuing transactions is leading to a substantial unfavourable bias in either the balance of visible trade or the current account. Thus, if the visible trade deficit in 1976 were overstated, we might expect to find some evidence for this in the form of a positive balancing item in the balance of payments accounts. In fact, the indications are that the balancing item for 1976 will be negative. This evidence in itself is not conclusive and we are, of course, keeping the matter under close review.

Finally, on a point of history: net under recording of exports in 1968 is estimated to have been £130m. as shown in Table 4 of the *United Kingdom Balance of Payments, 1965-1975.*

L. S. Berman, CB,
1, Victoria Street, S.W.1.

Pricing goods and theft

From The Managing Director, Lodge Service International.

Sir,—I was interested in Mr. Maughan's reply (February 22) to my letter of February 11, which he seems to have somewhat misunderstood. The point, of course, is that retailers do not want to lead customers into temptation. I am fully aware that shoplifters have been known to remove labels, but with bar coding they will not even have to bother. Further, I was not referring to low cost, fast moving products, which are not necessarily visually price marked at present, but to the high cost items such as tins of ham and coffee, the loss of which takes a lot of replacing out of thin margins.

Mr. Maughan states that the heaviest shrinkage occurs in delivery bays and storage areas and that the result of scanning the bar code would mean that the retailer would be able to tell the actual items stolen and hence keep a better watch on them. I sincerely hope that retailers will not take Mr. Maughan's suggestion too seriously, for they will be spending their time watching the designated items in the delivery and store area, while, it is a well established fact, that the largest single danger area in retailing is at the point of sale, whereby cashiers, bypassing the cash system can pocket the cash or hand out goods to relations and friends and those goods will be unidentifiable as and when bar coding takes place.

J. S. Lodge.
59, St. James's Street, St. James's, S.W.1.

The CBI and small firms

From the Deputy Director-General, Confederation of British Industry.

Sir, — I read with much sympathy the letter from Mr. Goodwin which appeared on February 17, as it illustrated only too vividly how the nation's human potential is being wasted, and unemployment forced up, by misguided Labour and union policies — I forbear to say Socialist policies, since they are certainly not that.

There was only one point in his letter where I found myself in disagreement with Mr. Goodwin and that was when he expressed the view that his business was too small to be properly represented by the CBI. I can assure him most definitely that this is not so. A substantial proportion of CBI membership consists of small businesses, and these give added vigour to our activities. They have their own CBI Smaller Firms Council. We need them and value them.

The burden of high taxation and its inhibiting effect on enterprise, investment and growth are major preoccupations of the CBI. In our recent Budget submission to the Chancellor of the Exchequer, we pressed on him the imperative need to cut company and direct taxation as the only way to restored prosperity; and this was just the most recent of many activities the CBI has taken to the same end. We have been in the van, too, in the attacks on the capital transfer tax and the wealth tax, and shall be unremitting in our opposition to these most iniquitous taxes.

I should like to assure all those with small businesses that the CBI welcomes them in the conviction that through their membership, their well-being and ours — and, indeed, that of the nation — are certain to be increased.

Edward James, CMG, OBE.
21, Tothill Street, S.W.1.

Civil Service pay and pensions

From the Secretary General, Civil Service National Whitley Council, Staff Side.

Sir,—In his letter of February 16 Mr. T. Layborn produces such a mishmash of fantasy and unsubstantiated allegations that there is a great temptation to ignore him. On the basis, however, that uncorrected errors often come to be accepted as the truth, I have to crave your indulgence to answer the more extreme of Mr. Layborn's inaccuracies.

First, it is not true that no private occupational pension schemes have built-in right to inflation-proof pensions. There are at least four to my certain knowledge. And there are a number of private schemes which in practice do fully inflation-proof their pensions. Since the cost is to a large extent offset against the taxable income of the companies concerned, it can be said that the taxpayer pays a substantial part of the increases in private pensions.

This deals to some extent with Mr. Layborn's allegations about the Government Actuary's ability to compare the civil service pension scheme with the benefits provided by outside employers. With regard to forecasting inflation, the Government Actuary certainly cannot do this, but he can assess the effect of current inflation. Presumably, he will do this if and when pay research is restored for the civil service.

Next, the impartiality of the Pay Research Unit. Of course it is staffed by civil servants, but they are on secondment and, in my personal experience, are fiercely independent in carrying out their fact-finding exercises. There is a standing interchange of information with their contacts in the outside world (including just those outside personnel officers who Mr. Layborn would like to see supervising the PRU's activities), so, even if they wanted to, the opportunities for fiddling the evidence simply don't exist. In any case, Mr. Layborn, if you cannot rely on the civil service to be impartial, just who can you trust in these deeply suspicious days?

Mr. Layborn's next canard concerns the outside firms whose pay is compared with the civil service: he alleges that only "the larger and more financially successful companies" are used. Speaking as a pay negotiator for the unions, I only wish this were true. In fact, the firms to be surveyed have to be agreed between the negotiating parties and I can assure Mr. Layborn that I have never found the official side negotiators anything but extremely devoted to finding a representative sample of good employers as defined by the Priestley Royal Commission.

Penultimately, Mr. Layborn raises the old chestnut about abatement of the amount of the state retirement pension. It is common practice in many pension schemes to take account of the state pension in order to avoid over pension provisioning, and in this respect the civil service scheme is no different. The civil servant, however, pays a full contribution for his total pension income, whether from the state or the occupational scheme, and therefore surely has a right to expect to receive the benefit when he retires.

Mr. Layborn's argument appears to be based on the assumption that the civil servant gets both his occupational pension and the state pension free: I can assure him that we pay the full amount for both, so aren't we entitled to have them? Mr. Layborn's final swipe is the startling allegation that the civil service is overpaid on basic pay comparisons with outside employees. As our pay research is suspended at present, it is impossible to prove or disprove this one—but what evidence does Mr. Layborn have to support his view? In any case, basic pay comparisons are irrelevant, for it is the total remuneration package that counts—and civil servants would like to get their hands on the sort of perks that many outside employers have introduced in recent years to subvert the effects of personal taxation and incomes policy.

But surely the best way of settling all these rather tedious arguments is to restore pay research so that we can show once and for all the true civil service position.

W. L. Kendall,
CSNWC.
19, Rochester Row, S.W.1.

To-day's Events

GENERAL

Second volume published of White Paper on Government's Expenditure Plans.

Cabinet holds special meeting to formulate policy on direct elections to European Parliament.

TUC Economic Committee meets Mr. Denis Healey, Chancellor of the Exchequer, to discuss Budget.

Greater London Council expected to consider report of its General Purposes Committee recommending that Government should abolish City of London as separate entity.

Mr. Robert Cryer, Under-Secretary, Industry addresses London Chamber of Commerce on Government Policy towards Small Firms, 69, Cannon Street, E.C.4, 11.30 a.m.

Sir Robin Gillett, Lord Mayor of London, on visit to Vienna.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' Bills.

COMPANY RESULT

British Enkalon (full year).

COMPANY MEETINGS

CGSB, Newcastle upon Tyne, 2.30. Cambridge Water, Cambridge, 4.30. Grange Trust, 70, Finsbury Pavement, E.C., 12.30. Stakis (Reo), Renfrew, 3. Tollemache and Cobbold Breweries, Ipswich, 10.30. Turner Manufacturing, Wolverhampton, 12.30. Ward (Thomas W.), Sheffield, 11. Wearra, Kettering, Northants., 12.

EXHIBITIONS

"Unofficial" art from Soviet Union, ICA Galleries, The Mall, S.W.1 (until February 27).

Indian Ocean stamps, Gibbons Gallery, 399, Strand, W.C.2 (until February 28).

Pompeii AD 79 Exhibition, Royal Academy of Arts, Burlington House, Piccadilly, W.1 (until March 13).

"A Tonic to the Nation": 25th anniversary of Festival of Britain 1951 Exhibition, Victoria and Albert Museum, Exhibition Road, S.W.7 (until April 3).

OPERA

Royal Opera production of Un ballo in maschera, Covent Garden, W.C.2, 7.30 p.m.

English National Opera perform Katya Kabanova, Coliseum Theatre, W.C.2, 7.30 p.m.

OPERETTA

D'Oyly Carte Company in The Mikado, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

MUSIC

Royal Liverpool Philharmonic Orchestra, conductor Sir Charles Groves, with John Lill (piano) in programme of Reznicek (Overture, Donna Diana); Tchaikovsky (Piano Concerto No. 1 in B flat minor); and Shostakovitch (Symphony No. 10), Royal Festival Hall, S.E.1, 8 p.m.

COMPANY NEWS + COMMENT

Lonrho reaches £22.8m. in first quarter

A FURTHER substantial increase in profits is announced by Lonrho, the British-based group with extensive industrial, commodity and financial interests in the U.K., Europe, the Middle East and Africa.

During the three months ending December 31, 1976, pre-tax profits reached £22.8m., compared with £19m. on turnover up by some 20 per cent. to £279.4m.

For the full year to September 30, 1976, profits came to £92.8m. on turnover of £1bn.

	Three months 1976 £000	1975 £000
Turnover	279,400	231,900
Group	269,300	211,400
Associates	10,100	21,500
Profit before tax	22,800	19,000
Group	22,200	17,200
Associates	600	1,800
Tax	11,670	9,690
Net profit	11,190	9,490
Minority interest	2,690	2,690
Attributable	8,600	6,900

INDEX TO COMPANY HIGHLIGHTS

Company	Page	Col.	Company	Page	Col.
Andre Silentbloc	33	5	Lonrho	32	1
Australian Intnl.	33	3	Myddleton Hotels	33	3
Bailey (C. H.)	33	3	NCR	33	2
Barclays Bank	35	1	New Equipment	32	7
Berisfords	32	1	Northern Foods	35	4
Capper-Neill	32	8	Parker Timber	32	3
Dolan Packaging	32	4	Ratcliffs (Gt. Bridge)	32	7
Evode Holdings	33	5	Reardon Smith	32	5
Glasgow Stockholders	35	2	Scottish Investments	33	3
Henderson (J. & W.)	32	2	Skol	35	3
Hoover	33	4	Smith Bros.	32	8
Howen (Alexander)	32	7	Thames Plywood	32	8
I.C.I.	33	1	Viking Oil	32	7

● comment

Lonrho's net attributable profits are a quarter higher after three months but little changed in fully-diluted per share terms. This sort of performance looks like being extended over 1976-77 as a whole. The absence of Costain and a flattish time at Ashanti are depressing the contribution from the associates, while elsewhere the main agricultural activities have been hit by the weakening sugar price. Textiles are also down. But shipping is out of the red (just), mining in general is up and the financial side—which jumped from £2.8m. to £15.3m. pre-tax last year—is still roaring away. At 82p the prospective p/e is about 4 and the yield in double figures.

Berisfords ahead to £0.81m.

ON TURNOVER increased from £5.33m. to £6.19m., ribbons, trimmings and label manufacturers, Berisfords achieved a record pre-tax profit for the year ended November 24, 1976, of £810,009 against £596,913. Profit after six months was £370,000 compared with £272,000.

The directors are confident of the group's future in the narrow fabric industry in this country and also in world markets where there is a demand for the company's products. They tell members that a lot depends on efforts to control costs and margins but having strengthened management in these areas, the company is better able to do so.

Berisfords, they say, is versatile enough to adapt its plant to new requirements, and has an enthusiasm which "augurs well for the future."

Earnings per 25p share are shown at 10p (6.9p) for the year and an increased final dividend of 1.329p (1.39p) net makes a total of 2.169p against 1.99p. Tax charge was £404,500 (£269,072).

● comment

Profits at Berisfords have completely recovered from the setback in 1974-75 and seem to be resuming the growth pattern of the previous four years. The development of export business has been an important factor, growing from £0.75m. in 1974-75 to £1.1m. last year and probably more again in the current year. Haberdashery (a major outlet for the ribbons) is not a growing market but the prospects for the trimming and lighting divisions are reasonable, since the end uses are in home furnishing. Current orders are good and the company tries to keep up with the latest machinery. All this may make the p/e of 3.6 at 37p seem rather low but on the other side, the company reports that its suppliers are giving shorter credit; in last year's balance sheet the difference between debtors and creditors was £1m. and it will be interesting to see the new figure in the full accounts. Also Berisfords is labour intensive and has a rather slow stock turnover which may well look even slower under the new accounting treatment. The yield is 9.4 per cent.

Profit fall at J. & W. Henderson

PRE-TAX profit for builders' merchants, J. and W. Henderson (Holdings) fell slightly for the 12 months ended December, 1976, to £0.96m. against £1.06m. Sales increased marginally from £26.47m. to £27.36m.

The Board states that results for the first three months of 1977 are likely to be affected by the adverse weather conditions and they foresee a further period of difficulty for the construction sector. The Board will be exercising strict control over the trading position during the following months.

A record interim dividend is announced of 4.4434p (4.0395p) net per 25p share, making 7.4282p to date—when results for the 15-month accounting period are known. Total for last year was 6.753p.

The tax charge for the 12 months was £501,000 (£533,000), leaving a net profit of £463,000 (£528,000).

Increase at Parker Timber

ON A turnover rise of £4.71m. to £20.11m., Parker Timber achieved an increase in pre-tax profits to £1.74m. for the six months ended September 30, 1976, against £1.08m.

The directors say that the company continued to trade successfully during the period and turnover increased in both volume and value, in all activities. They consider results for full year will reflect the higher levels of trading.

Dividend for 1975-76 was 4.875p net per 25p share, paid from a profit of £2.06m.

	Six months 1976 £000	1975 £000
Turnover	20,111	15,403
Depreciation	272	177
Interest	53	41
Pre-tax profit	1,743	1,084
Tax	906	564
Net profit	837	520

● comment

Stronger softwood prices and a pick-up in demand from the packaging industry can take the credit for Parker Timber's 60 per cent. rise in interim profits. The climb in timber prices has slowed down in the second half and although packaging demand is still increasing, this plus the effects of the building and civil engineering depression, suggest that profits will be lower in the second half than in the first. That could still allow a pre-tax total of around £3.25m., which puts the shares at 82p on a p/e of 3, well below the sector average. However, that may be due to the fact that the group does not supply anything to the more resilient home improvement and DIY end of the building market, and is more dependent than most on the public and industrial side.

First half rise at Dolan

RESULTS FOR the half-year to January 1, 1977, at Dolan Packaging came up to expectations with a rise in pre-tax profits from £1.11m. to £1.56m. and the directors say second-half results should also show an improvement on last year's £1.25m.

The interim dividend is lifted from 1.1p to 1.21p net per 10p share. Last year's final payment was 0.98105p.

	26 wks. 1976-77 £000	27 wks. 1975-76 £000	53 wks. 1975-76 £000
Turnover	9,047	7,088	15,277
Trading profit	1,897	1,338	3,019
Depreciation	316	267	607
Loan stock interest	22	26	31
Pre-tax profit	1,559	1,105	2,352
Tax	811	570	1,248
Net profit	748	535	1,104
Extra-ord. credit	13	20	20
Attributable	761	555	1,124
Dividend	106	95	177
Retained	655	460	947

● comment

When demand for paper and packaging materials tumbled in 1975, Dolan managed to keep increasing its profits and, now that demand has recovered, Dolan has come up with a 47 per cent. rise in interim profits stripping out the extra week. The formula for the company's success is based on its vertical integration—from waste right through to corrugated board—giving it that extra bit of flexibility which has enabled it steadily to increase its market share. Also, the latest results are showing the benefit of earlier capital expenditure on machinery: over £1m. was spent in the paper mill in the last three years. Understandably the company remains optimistic and profits of £3m. look like a minimum target this year. Meanwhile, with over £1m. in the bank, Dolan is casting its eyes overseas for expansion. The shares had a tremendous run in January on bid rumours, which took them from 71p to 110p, but after denials they have since eased to 98p for a prospective p/e of 3.8. That does not look a demanding rating but the maximum yield is a meagre 3.6 per cent., so there is probably still some speculative interest supporting the price

Trevor Humphries

Sir Rowland Wright, chairman of ICI, which yesterday announced taxable profits up from £321m. to a record £540m. for 1976—in the last quarter profits were £112m. (£95m.).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Aliseas Shipping	0.26	Apr. 29	0.24	0.26	0.24
Andre Silentbloc	1.08	Apr. 22	0.98	1.76	1.6
C. H. Bailey	Nil	—	Nil	0.19	0.18
C. H. Bailey ....int.	0.21	Apr. 29	0.19	—	0.19
Barclays Bank	5.14	Apr. 22	4.69	9.89	8.99
Berisfords	1.53	Apr. 7	1.29	2.17	1.99
Crossfriars Trust ....int.	1.25	Mar. 25	0.75	—	2.60
Dolan Packaging ....int.	1.21	Apr. 15	1.1	—	2.08
J. & W. Henderson (Hldgs.) Sec. int.	4.44	—	4.04	7.43‡c	6.75
H & J. Hill Group ...int.	0.6§	Apr. 5	0.6	—	1.79
Hoover	7.73	—	6.53	13.27	12.07
Alexander Howden	3.75†	Apr. 18	1.47	5	2.47
ICI	6.78†	Apr. 5	4.88	14.78†	11.82
London Shop Prop. int.	0.88	Apr. 29	0.88	—	2.95
Myddleton Hotels ....int.	1.65	Apr. 13	1.46	—	4.23
New Equipment	0.55	Mar. 31	0.55	0.88	0.88
Ratcliffs (Great Bridge)	1.05	May 1	1.02	1.7	1.54
Rearden Smith	0.81	Apr. 1	1.12	1.63	2.74
Smith Bros. .... int.	1.5	Mar. 29	1.5	—	4
Thames Plywood ....int.	1.37	Apr. 25	0.7	—	2.53

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Total for 12 months. § For 1976.

Reardon Smith incurs loss of £0.63m.

CONFIRMING the unstable position in all sections, Reardon Smith Line incurred an estimated pre-tax loss of £628,000 for the year ending March 31, 1977, compared with a profit of £4,648,000 12 months earlier. At halfway profit was down from £1,805,000 to £791,000.

The year-end results, while not satisfactory, are as anticipated in current trading conditions, state the directors. At the trading level, profit derived from bulk carriers rose from £794,000 to £2,974,000, tankers incurred a loss of £3,253,000 (profit £2,023,000) and rigs a profit of £978,000 (£144,000 loss).

The proceeds from ship sales amounted to £6,600,000 (£6,248,000)—their book value was £2,400,000 (£2,198,000).

Net dividend total for the year is 1.625p per 50p share (2.7422p) with a final of 0.8125p.

World trade shows little sign of moving out of recession, and it is only when it takes on a more stable character that satisfactory profitability will show, the directors say.

The rig owned by Celtic Drilling Company, in which Reardon Smith has a 53 per cent. interest, is under contract to British Petroleum and is operating in the North Sea at a rate of hire which, currently can be considered satisfactory.

During the year, following the acquisition by Ben Line Steamers of Sheaf Steam Shipping Company, there were changes in the structure of the Atlantic Drilling Company by Sheaf Drilling also acquiring the interests of the minority partners. This resulted in an equal interest by Reardon Smith and Sheaf in the partnership and allowed an arrangement whereby each company became sole owner of one rig—the "Atlantic I" rig being owned by Reardon Smith.

Discussions are taking place between the two companies with a view to entering into a pooling agreement for the two rigs. This will give advantages to both companies in the joint marketing, administrating and operating of the rigs, they say.

"Atlantic I" continues to operate under charter to the Panocean Oil Corporation (North Sea) and the directors are optimistic about continued employment for this rig.

Two vessels, "Welsh City" and "Cornish City," have been sold during the year.

	1976-77 £000	1975-76 £000
Trading profits:—		
Bulk Carriers	2,974	794
Tankers loss	3,253	*2,023
Rigs	978	†144
Ship sales	6,600	6,248
Investments	338	[illegible]
Currency loan losses	228	[illegible]
Interest payable	2,427	1,104
Depreciation	2,486	1,775
Invest. grants credits	188	278
Ship disposals book value	2,400	2,198
Loss before tax	628	*4,648
Tax credit	297	[illegible]
Dividends	131	[illegible]
Transferred	[illegible]	[illegible]

* Profit. † Loss. ‡ Charge.

● comment

Stripping out the ship sale profits leaves Reardon Smith with a pre-tax loss of £4.5m. for the year against a £0.6m. profit previously. The bulk carriers have enjoyed better conditions than the sector generally with profits up 274 per cent., but the benefit from this has been completely wiped out by the £5½m. turnround to losses by the tanker fleet. The oil rigs have also moved into the black at the trading level following the chartering in of Atlantic and Sea Conquest, in September and October respectively, but that has not made up for the 120 per cent. jump in interest charges, most of which relates to this division. The tanker losses which reflect the chartering in last year of two vessels, at rates set during the freight rates peak of 1973, look like continuing for some time, and since there seems little chance that bulk carrier profits will maintain their pace in the current year, the immediate outlook is bleak. This leaves the "A" shares at 69p, where the yield is only 8.7 per cent., looking unsteady.

COWIE'S BUOYANT TRADING

Mr. T. Cowie, the chairman of T. Cowie, in his annual statement, says that the first three months' trading in the current year have been remarkably buoyant, and profits are ahead of those for a similar period last year. It would be imprudent to attempt long range forecasts, he adds, but given no serious deterioration of present conditions, the year's result should be reasonably good.

Meeting, Sunderland March 17 at noon.

PEEK HOLDINGS

Peek Holdings announces that, as part of the capital reconstruction, the receiver of its subsidiary, Liverpool Grain Storage and Transit Company, has been released

Alexander Howden jumps to £18.37m.

AFTER RISING from £6.29m. to £8.08m. in the first half, pre-tax profits of international insurance brokers and shipping agents Alexander Howden Group finished 1976 up from £10.79m. to £18.37m.

Earnings per 10p share before tax are shown at 29.29p (21.84p) and after tax and minorities at 16.02p (13.04p). As promised the final dividend is lifted from 1.466p to 3.75p net on capital increased by last October's one-for-five rights issue to give a total of 5p compared with 2.466p.

	1976 £000	1975 £000
Depreciation	801	574
Interest charges	535	330
Share associates	171	42
Pre-tax profit	18,366	10,788
Corporation tax	6,976	3,629
Overseas tax	1,241	672
Associates tax	63	22
Minorities	38	25
Net profit	10,048	6,438
Additional tax	532	297

Profit for 1976 was struck after charging £750,000 additional costs relating to the impending move to new premises.

● comment

There are no surprises in the Howden figures, with £18.3m. pre-tax comparing closely with most broking estimates. The Halford and Morice Tozer acquisitions continue to run ahead of budget and broking income is still rising sharply, although at a slower rate than in 1976, with sterling beginning to play a more stable role. At this stage the 1977 outcome is largely a matter for guesswork but, if Howden can lift pre-tax profits by a third, the fully-diluted prospective p/e at 142p is around 7½—and under the insurance broking average. The shares yield 5½ per cent.

Setback for New Equipment

Pre-tax profit for tubular steel furniture manufacturers, New Equipment fell to £62,028, for the year ended October 31, 1976, from £103,009 for 1974-75. Profit at halfway was £48,179 (£70,395).

Turnover for the year was £1.28m. against £1.24m. After a tax charge of £31,785 (£51,825) net profit emerged at £30,243 (£51,184).

Dividend for the year is maintained at 0.8775p net per ... shares, with a final of 0.55...

Smith Bros loss at halfway

A PERIOD of abnormally ... Stock Exchange turnover is ... flected in the results from jobb... Smith Bros. for the six mon... to October 29, 1976, which ... vealed a pre-tax loss of £56,... against a profit of £401,912.

However there has been ... increase of trading activity s... then which has enabled the c... pany to return to profitab... during the second-half, say ... directors.

The interim dividend is h... at 1.5p net per 25p share and, s... ject to unforeseen circumstan... the directors expect to be abl... recommend a maintained f... dividend of 2.5p. For 1975-76 ... dividend was paid from pro... £813,405.

	Half year 1976 £	
Loss	56,224	*40[illegible]
Taxation	—	28[illegible]
Tax credit†	136,702	
Net profit	80,178	19[illegible]
Interim dividend	131,011	13[illegible]
Forward	777,518	88[illegible]

* Profit. † Prior year.

● comment

Smith Brothers' first loss since incorporation in the early 1... came in a half-year period dur... which the total turnover ... equities fell by roughly a qua... to levels comparable to those ... the worst months of the ... bear market. However, Smi... expenses, following a sharp su... during 1975-76, are relati... stable this year and busi... activity has picked up shar... during the third quarter. Smith has been confident eno... to forecast a maintained divid... costing £349,000 for the y... which puts the shares on a y... of 15½ per cent. at 41p. Hav... survived this severe test more ... less unscathed, Smith is ... seeking to strengthen its posi... in the gold share market ... securing access to traders out... the stock market.

Ratcliffs expands to record £1.27m.

AFTER A leap in taxable profit at halfway from a depressed £198,000 to £620,000, brass and copper strip manufacturers Ratcliffs (Great Bridge) ended 1976 £539,800 higher with a record £1,268,900.

Stated earnings per 25p share were up at 13.19p (7.41p) and a final dividend of 1.0484p net lifts the total for the year to 1.6984p (1.544p).

The net balance, after tax of £608,700 (£329,500), came out at £660,200 (£389,600).

The profit did not include an exchange rate gain of £340,300. Also excluded was a prior year adjustment resulting in a gain of £71,000 which was transferred to retained earnings.

Priorities at Viking Oil

IN HIS annual statement, Lord Balfour, chairman of Viking Oil—an unquoted company engaged in oil and gas exploration—says that the company's priorities must now be to assess the prospects of Block 211/8 in the light of the data obtained in this summer's drilling, both on the company's own and on neighbouring blocks; and to monitor the results of further drilling on Blocks 16/7 and 16/17 to the north and south of the company's Block 16/12.

While not underestimating the risks and expenses of oil exploration, the Board is confident that the areas covered by licence P212 contain prospects which are exciting and which are in particularly interesting areas of the North Sea. The year 1975/76 was important for the company, despite the disappointing outcome, since it was actively involved in oil exploration for the first time. The results of Well 211/8-1 should be known in the second half of 1976-1977. "I very much hope that we shall have something encouraging to report to you at that time," says Lord Balfour.

At this stage of the company's development the Board does not consider that an annual profit and loss account is appropriate. Expenditure during the year to September 30, 1976, on exploration totalled £800,248 (£5,587). Other expenditure totalled £1... (£11,980). The only income received during the period was interest of £64,415 (£23,594) before corporation tax.

Meeting Edinburgh on March ... at noon.

Capper Neill optimistic

ANNOUNCING THE takeover of the Glover Group, Mr. W. Capper, the chairman of Capper-Neill, said that his directors are still optimistic that results for the full year to March 31 will be very satisfactory.

Both Capper-Neill and Glover are continuing to experience encouraging order intake and overseas proportion continues to increase, he added.

Mr. Capper confirmed that Capper-Neill, the Cheshire-based process plant group, had completed the purchase of the whole of the issued share capital of Glover, and that acceptances had been received for more than ... per cent. of the shares of ... associate Honkaley Investments ... whose principal asset is a holding of about 40 per cent. of Glover equity.

The aggregate consideration for the joint purchase amounts to about £1.39m., of which Glover accounted for £1.16m. This has been satisfied by cash payments of about £1.27m. from existing resources and the issue of 156... new Capper-Neill shares.

Mr. Capper said that Glover will be continued as a separate entity under its existing name ...

ICI £219m. profit rise to record £540m.

After an exchange loss of 3m., compared with a gain of m., fourth quarter pre-tax profit Imperial Chemical Industries improved from £95m. to £112m. *is lifts the full-year 1976 result* om £321m. to £540m. before ants, which is £23m. higher than *e 1974 record.*

Preliminary estimates indicate at under the CCA system an ditional charge of about £130m. uld be required for deprecia-n for 1976 and that about 2m. would be needed to charge sts with the replacement cost stocks. If these adjustments re made, pre-tax profit, exclud-exchange gain, would be luced to £282m.

n the first half profits rose by m. to £241m. and the second f increase was £129m. to 9m.

The difference arising from the nslation into sterling of the current assets of overseas sidiaries has been shown arately as an exchange gain order to reflect more clearly trend of group profit arising m trading activities—£71m. taken into account at tember 30, 1976 but the *itive strengthening of sterling* ing the fourth-quarter reduced credit to £58m. for the full-r compared with £29m.

ourth-quarter sales improved n £860m. to £1,142m., stepping *the full-year total from* 29m. to £4,135m., a rise of 32 cent. U.K. sales rose by 23 *cent. to £1,616m. and those* overseas markets by 39 per t. to £2,519m. The fob value *exports from the U.K. was 40* cent. up at £822m.

he directors report that the *me of group trading overseas* wed a marked improvement. the U.K., volume, while sub-*itially above 1975 levels,* did show sustained growth and ness remained at about the l of the first quarter.

verall, group sales volume by 12 per cent., the U.K. export element being a notable 21 per cent. Price control, together with a general weakness in some world chemical prices, again prevented full recovery of *increases in costs.*

On increased capital from the Rights issue, dividend total is 14.78035p net (11.8243p) with a second interim payment in lieu of final of 6.78035p. Treasury consent has been obtained. Earnings are shown to be 54.4p (34.5p) per £1 share.

	1976 £m.	1975 £m.
Sales	4,135	3,129
Depreciation	206	182
Exchange gain	58	29
Pre-tax profit	540	321
Tax	214	125
Net profit	326	196
Extra-ordinary debits	†47	1
Minorities	34	24
Attributable	245	171
Retained	162	112

† Includes £38m. provision for costs estimated to arise from restructuring the fibres business.

The charges for tax consists of £170m. U.K. corporation tax, *£53m. overseas tax and £13m.* tax on principal associates less credits of £14m. for U.K. invest-*ments grants and £8m. for regional development grants.*

Regional development grants, *hitherto credited in full to profits* in the year in which the related expenditure was incurred, are *now dealt with in accordance* with the appropriate accounting standard. The 1975 results have *been restated to reflect this* change in accounting policy.

See Lex

NCR falls to £2.61m.

THE DOWNWARD slide in taxable profit continued in the second half of 1976 for NCR, the wholly owned British subsidiary of NCR Corporation, Ohio, with *a fall of £0.52m. to £0.86m.* The full-time figure showed a decline from £3.64m. down to £2.61m.

Sales were lower at £66m. (£71m.) with the export content slipping £10m. to £19m. Trading profit was down from £6.19m. to £3.63m. and again there were heavy exceptional costs, amounting to £1.46m. (£1.59m.) resulting from the planned phase-out of the manufacture of certain mechanical products in the company's Dundee factories.

Net profit came out at £1.01m. (£1.47m.) and the total retained profit at the year end was shown to be £21.64m.

C. H. Bailey shows £0.21m. loss

DRY DOCK owners and ship re-pairers C. H. Bailey shows a pre-tax loss of £206,788, against a *profit of £323,202, for the year to* March 31, 1976.

There was a tax charge of *£10,956 (£15,443) but, after tax* adjustments, there was a net profit of £222,256 (£507,759).

Again there is no final dividend leaving as the total for the year the interim of 0.19199p net *(0.184p) per 10p share. For 1976-1977* the interim is lifted to 0.211239p.

Depreciation was £752,444 (£615,101).

At the end of 1976 the directors *said publication of the accounts* had been delayed because accounts from overseas sub-*sidiaries had not been com-pleted.*

The delayed results from the subsidiary *Allseas Shipping Services*, disclose a pre-tax loss of £412,517, against a profit of *£426,831, for the year to April 2, 1976.*

There was no tax charge for 1975-76 but an adjustment for tax repayable, turned the loss into a net profit of £27,483 (£426,831).

The dividend for the year is lifted to 0.26216p net (0.23833p) per 10p share.

Depreciation was higher at £198,868 (£78,585).

The company, which owns dry docks and repair works at Cardiff, Barry and Avonmouth, has interests in shiprepairing and engineering, property and plant leasing.

Hoover turns in £16.98m.

PRE-TAX PROFITS for 1976 of Hoover, including the profits *attributable to the company's* interest in Hoover (Holland) BV, amounted to £16.98m.

In *the light of the U.K.* accounting proposals and more specific recent U.S. requirements, unrealised gains arising from the translation of overseas company liabilities and current assets into sterling have been reflected in the profit for the year. Last year's results restated on the same basis show profits of £20.69m.

Group turnover for the year amounted to £180.05m., an increase of 10.5 per cent. Full advantage was taken by means of aggressive sales promotions, of the improved trading conditions towards the end of the year, say the directors. Exports from the U.K. factories reached a record £35m.

Mr. Peter Boon, the chairman, says the company has done particularly well overseas. The French company, where redundancies depressed figures for the final quarter of the previous year, is now making profits.

Hoover last year exported 1.3m. cleaners from Britain, the fifth successive year of 1m. exports. This was equal to the export effort of the *entire German industry* and one and a half times as much as Japan exports, members are told.

They are hopeful that the economies of the countries in which the group operates will continue to improve through 1977. The company will take full advantage of the improving conditions as and where they occur, members are told.

Earnings are shown at 46p (54p) per 25p share.

The final dividend is 7.78p net for a maximum permitted 13.27p (12.07p) total.

	1976 £000	1975 £000
Group turnover	180,048	162,589
Pre-tax profit†	16,977	20,689
U.K. tax	5,138	8,179
Foreign tax	2,154	1,381
Hoover (Holland) tax	537	801
Net profit	9,148	10,868
Retained by H (H)	936	218
Attributable	8,213	10,450
Preference dividends	—	9
Ordinary dividends	2,634	2,396

† Includes exchange gains by subsidiaries of £1.26m. (£0.79m.) and by Hoover (Holland) £1.11m. (£0.71m.), and 50 per cent. share of trading profit of Hoover (Holland) £0.5m. (£0.56m.).

See Lex

BRAID GROUP

Mr. D. C. Bamford, the chairman of vehicle distributors, etc., Braid Group, reported at the AGM that in the first four months of the current year both turnover and profit showed a substantial improvement upon equivalent figures for 1975 and he has every hope that this improvement will *be maintained.*

Andre Silentbloc improves

PRE-TAX profit of Andre Silentbloc rose slightly to £900,212 for the year ended October 3, 1976, compared with £874,181, after being lower at £401,000 against £422,000 at halfway.

Turnover marginally increased from £10.07m. to £10.96m.

A final net dividend of 1.06p (0.976p) per 10p share makes a total of 1.76p (1.601p).

The company manufactures anti-vibration equipment and industrial rubber products.

	1975-76 £000	1974-75 £000
Turnover	10,963	10,077
Interest	114	96
Pre-tax	900	874
Taxation	406	467
Net profit	494	407
Extraord. debit	—	30

Better start at Evode

The first quarter of the current year at Evode Holdings was con-*siderably* better than a year ago, and orders in hand are much higher, says Mr. H. Simon, the *chairman, in his annual statement* for the year ended September 25, 1976. He hopes the trend will *continue, and that the group will* be able to reach its target for the year.

The group fell short of its target last year, when pre-tax profits rose from £1.21m. to *£1.45m. and dividends totalled* 1.988p against 1.856p (as reported on February 16).

The directors estimate that pre-tax profits would have been lower by £590,557 under the CCA system, of which £159,155 relates to additional depreciation on fixed assets and £431,702 to the cost of sales adjustment.

Meeting, Stafford, March 24 at 11 a.m.

Upsurge at Thames Plywood

Mainly due to the continued expansion of Technical Panel Industries, first half (to October 31, 1976) pre-tax profit of Thames Plywood Manufacturers rose *sharply from £52,000 to £215,000,* topping the previous full-year's result by almost £43,000.

The directors are *confident* that results for the second half will exceed the first six months. Current trading in the plywood division continues with all the disadvantages of the short order book, they state—management continues to pursue a long-term solution for this activity.

Turnover for the first half was up from £1.55m. to £1.78m. The charge for tax was £114,000 (£26,500), leaving £101,000, compared with £25,500.

The net interim dividend is stepped up from 0.7p to 1.37p. Assuming dividend restraint re-*mains, the directors intend to pay* a final of 1.413p for a 2.783p total (2.53p).

Progress at Myddleton Hotels

IN THE half-year to end-December, 1976, turnover of *Myddleton Hotels* slipped from £1.51m. to £1.45m. but pre-tax profits advanced from £208,000 to *£248,000 after lower interest of* £59,000 compared with £87,000. Tax takes £98,000 against £83,000.

The interim dividend is raised from 1.4625p to 1.65p net per 50p share. Last year's total was 4.225p *and pre-tax profit £223,318.*

Increase for Australian & Intl. Trust

After interest and management expenses, pre-tax revenue, including an imputation credit, for Australian and International Trust increased to £150,090 for the six months ended January 31, 1977 against £133,000. Revenue for all 1975-76 was £280,457 and the dividend was 2.4p net per 50p share.

After a tax charge of £71,350 (£61,330) first half net revenue was £78,740 (£71,670).

Total net assets at January 31 were £6.67m. (£8.01m.) and net asset value 111.2p against 133.4p.

Scottish Investments ahead

Gross income of *The Scottish Investment Trust Company* for the first quarter to January 31, 1977, rose from £1m. to £1.1m., before gross interest of £27,000 (unchanged) and expenses of £66,000 (£55,000). Franked investment income rose from £681,000 *to £758,000,* and unfranked from £322,000 to £342,000.

At January 31, 1977 (compared with October 31, 1976), total assets at market valuation amounted to £96,465,000 (£92,404,000) *including, where* applicable, the full investment currency premium amounting to *£16,955,000 (£16,593,000). Net asset* value per Ordinary Stock Unit of 25p, after deduction of prior charges at par, was 107p (102.2p) including premium liable to surrender on sale of foreign securities of 3.1p (4.7p).

All comparative figures have been adjusted to reflect the merger with The Second Scottish Investment Trust Company on November 1, 1976.

RECENT ISSUES

EQUITIES

Amount Paid Up	Latest Renunc. Date	1976/77 High	1976/77 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times covered	Gross Yield	P.E. Ratio
Nil	—	9	6	Amalgamated Stores	7	+1/4	—	—	—	—
F.P.	—	51 1/2	48	Harrisons Malay E. 10p	50	+1	F3.0	—	9.2	—
—	—	575	425	Rolinco Warrants	425	−57	—	—	—	—
F.P.	—	£29 3/4	£27 3/8	Time Inc. Shs. of Com Stk	£28 7/8	−7/8	$1.16	—	2.5	—
F.P.	—	£33 7/8	£26 7/8	Utd Technologies US$5	£28 5/8	−7/8	Q$1.20	—	2.6	—

FIXED INTEREST STOCKS

Amount Paid up	Latest Renunc. Date	1976/77 High	1976/77 Low	Stock	Closing Price	+ or −
F.P.	18/2	£106	£97 1/2	Adams Foods 15% Conv. 1981-83	106	......
F.P.	—	99 7/8	99 1/2	Agric. Mort. 12% Bds. 1978	99 1/2	......
F.P.	—	99 7/8	99 7/8	Agric. Mort. 13 1/2% Bds. 1979	99 7/8	......
F.P.	—	99 7/8	99 7/8	Agric. Mort. 13 3/4% Bds. 1980	99 7/8	......
F.P.	—	101 1/4	100 1/8	Agric. Mort. 13 5/8% Bds. 1978	101	......
F.P.	—	101 1/2	100 1/8	Agric. Mort. 14 1/8% Bds. 1979	101 1/8	......
F.P.	—	102 1/4	100 1/4	Agric. Mort. 14 3/8% Bds. 1980	102 1/2	......
Nil	—	51p	30 1/2p	Amalgamated Stores 6 1/2% Cum. Pref.	51p	......
F.P.	19/1	202	107 1/2	Dunford & Elliott 10% Conv. Red. Pref.	200	+5
F.P.	28/1	98 1/2	95 1/2	Essex Water 9% Red. Pref. 1982	97	......
£10	—	12 1/4	10 1/2	F.F.I. 14% Ln. 1983	11 7/8	......
F.P.	1/4	114 1/8	113 3/4	Mid Kent Water 9% Red. Pref. 1982	100	......
F.P.	1/12	87	70	Newman Inds. 10% Cum. Pref.	87	......
F.P.	7/1	98 1/8	94 1/4	Tendring Hundred W'works 9% Red. Pf. 1981	98 1/2	......
F.P.	—	$101	$100	Williams & Glyn's Bk. Float Rte Cap Notes 1984	$101	......
F.P.	7/1	770	71	Willis Faber 7% Cum. Pref.	77	......

"RIGHTS" OFFERS

Amount Paid up	Latest Renunc. Dates †	Latest Renunc. Dates ‡	1976/77 High	1976/77 Low	Stock	Closing Price p	+ or −
nil	16/3	29/3	38	22	ANZ	31	......
$A2	—	3/12	470	395	Broken Hill Props.	420	......
nil	—	23/2	2 1/2	1/2	Blandsrand	1/2 pm	......
nil	—	—	185	175	Geevor	185pm	+5
F.P.	3/12	17/12	245	189	*National Bank of Australasia*	215	......
F.P.	11/2	15/3	18 1/2	10	Websters Publications	18 1/2	......
Nil	4/3	1/4	6	5	Weeks Assoc.	6pm	......
F.P.	18/6	—	197	111	Western Mining	124	+2

nunciation date usually last day for dealing free of stamp duty. *a* Placing o public. *b* Figures based on prospectus estimate. *d* Dividend rate paid or e on part capital, cover based on dividend on full capital. *p* *** Pence otherwise indicated. *u* Forecast dividend: cover based on previous year's earn-'Dividend and yield based on prospectus or other official estimates for 1977-78. *τ* Figures assumed. ‡ Cover allows for conversion of shares not now ranking idends or ranking only for restricted dividends. ▽ Issued by tender. red to holders of Ordinary shares as a "rights." ♥ 290 S.Afr. cents. ‡ Rights s of capitalisation. †† Tender allotment price. ◆ Reintroduced. ‡‡ *Issued in* tion with reorganisation, merger or take-over. ♣ *Introduction.* ◆ Issued to Preference holders. ‡ Allotment letters (or fully-paid). † Provisional or paid allotment letters. *§* With warrants. Φ After suspension. KD Kuwait Dinar.

COLMORE INVESTMENTS LIMITED

INTERIM REPORT

: unaudited figures for the Group for the nine months ended 31st :ember, 1976, show the following results:

Nine months ended 31st December 1976 Trading Profit (before Loan Interest of £53,000 and Taxation)		Nine months ended 31st December 1975 Trading Profit (before Loan Interest of £48,000 and Taxation)	
pprox.	£72,000	approx.	£64,000

addition, resulting from the proposals outlined in my Statement 20th August, 1976, substantial capital profits will be realised and se will be published in our Final Accounts for the current year. Interim Dividend of 0.35 pence per Share actual for the year ling 31st March, 1977, will be paid on the 7th April, 1977, to reholders on our Register at the close of business on the 4th rch, 1977.

B. T. CARISS,
Chairman

ARKER TIMBER GROUP LIMITED

Interim Results (Unaudited)

	Six months to 30.9.76 £'000	Six months to 30.9.75 £'000	Year to 31.3.76 £'000
nover	20,114	15,403	31,571
ding Profit	2,104	1,302	2,701
preciation	(272)	(177)	(503)
erest	(89)	(41)	(135)
fit before tax	1,743	1,084	2,063
fit after tax	837	520	945

The Company continued to trade successfully, and reased turnover in both volume and value in all activities. e Directors consider that the full year's result will reflect se higher levels of trading.

Town & City Properties LIMITED

Unaudited interim results for the half year ended 28th September 1976

Fifty one weeks ended 24.3.76 £'000		Half Year ended 28.9.76 £'000	Period ended 28.9.75 £'000
34,496	Gross income from all properties	17,961	16,969
11,419	Net income from investment property	5,403	6,182
3,334	Income from other sources	1,212	848
14,753		6,615	7,030
(19,537)	Less: Interest payable	(9,978)	(10,367)
(4,784)	LOSS before taxation and net outgoings on development properties	(3,363)	(3,337)
2,273	Less: Taxation relief/(charge)	(25)	(160)
(2,511)		(3,388)	(3,497)
(63)	Less: Minority interests	(19)	(92)
(2,574)	Loss before net outgoings on development properties	(3,407)	(3,589)
(14,963)	Net outgoings attributable to all development properties (less applicable tax relief)	(9,663)	(8,322)
(17,537)		(13,070)	(11,911)
2,845	Realised capital profits/(losses)	(13,648)	(272)
(2,845)	Transferred to capital reserve	13,648	272
8,472	Amount transferred from capital reserve in respect of development properties on which development has commenced	5,515	5,438
(9,065)	Shortfall of distributable income for period	(7,555)	(6,473)

NOTES

1. Realised capital profits less losses and capital charges (after taxation) are made up as follows:—

	£'000
Deficit of sale proceeds against original cost of property, less capital gains tax	(4,837)
Excess of cost of acquisition over book value of net tangible assets of subsidiaries written off in respect of sales	(2,300)
Less: net capital charges (including provision against and losses on exchange of £6,027,000)	(6,511)
	(13,648)

Note: The above surplus on sale of properties has no regard to valuation surpluses in previous years amounting to £1,439,000 which were included in capital reserve and have been written off.

2. The taxation relief included above is £700,000 (Period to 28.9.75 £1,784,000) of which £497,000 (Period to 28.9.75 £1,459,000) has been credited to net outgoings attributable to all development properties and is limited by reference to the amount of offsettable chargeable capital gains. Significant losses remain available to be carried forward against future revenue profits.

No dividend is recommended for the period to 28th September 1976.

Since last August, when a figure of £47.1 million for disposals since February 1976 was announced, a further £34.5 million of property has been sold with a book value of £27.1 million.

Alexander Howden Group Limited

International Insurance

	Profit before tax	Earnings per share Before tax	Earnings per share After tax and minorities
1976	**£18,366,000**	**29.29p**	**16.02p**
1975	£10,788,000	21.84p	13.04p
1974	£8,110,000	16.49p	8.82p
1973	£6,189,000	12.86p	7.18p
1972	£4,275,000	8.92p	5.49p

BIDS AND DEALS

Battle for Ultra hots up as Dowty lifts offer

Dowty Group has reacted swiftly to Racal Electronics counter-bid for Ultra Electronics and slapped down a £9m. bid—50 per cent. greater than its original offer last week.

New terms are two Dowty shares for every Ultra share, compared with the original four-for-three swap which with Dowty closing 4p lower at 112p is worth 224p an Ultra share and values the Utlra equity at £8.96m.

There is also a cash offer of 210p a share which values Ultra at £8.4m. and exceed's Racal's cash offer of 185p by 25p.

Ultra shares, which touched a low of 7½p as recently as 1975, rose a further 30p yesterday to close at 215p.

As the ball is now firmly back in its court Racal, fresh from a month long battle for Milgo Electronics in the U.S. which produced ten successive increased offers, is expected to make a further announcement to-morrow. Its present Ultra holding is 27 per cent., against Dowty's 13 per cent.

Ultra meanwhile is waiting for the air to clear, or one of the bidders to drop out, before making a firm announcement on the new developments.

● comment

Shareholders of Ultra Electronics must hardly be able to believe their luck. Following the increased Dowty bid, the shares rose 30 to 215p where the exit p/e is 16, based on estimated pre-tax profits of £1.3m. from Ultra (fully taxed and diluted). This compares with 85p the day before the bidding started. It seems that, whereas Racal would dearly like to develop Ultra, Dowty really needs it and is determined to get it. Electro-mechanical and hydraulic controls are being replaced by electronic controls, and Dowty cannot buy the necessary expertise elsewhere. Given that the two bidders are primarily after different parts of Ultra, it would be illogical for them to take it much further — a deal between them might be more sensible. And yet both are so much bigger than Ultra that the diluting effect on their own earnings would be small: Dowty's would fall perhaps, from 15.3p per share to 14.1p. The current price of Ultra shares is midway between Dowty's cash offer of 210p and share offer worth 224p, indicating that the market at least does not expect the bidding to go higher.

JACKSON & STEEPLE IN MERGER TALKS

Jackson and Steeple, the Blackburn textile group whose shares were suspended on the Stock Exchange on Wednesday, pending a statement, announced yesterday that it is holding talks with John Hawkins and Sons (Holdings)—a public though unlisted company with which it already has close ties—that could lead to a merger.

Hawkins has recently acquired 370,000 Jackson and Steeple shares (amounting to around 18.3 per cent. of the total equity) at 40p. Any subsequent offer would be at the same price.

Both companies are effectively controlled by the Menaged brothers. Mr. Joseph Menaged is the chairman of Jackson and Steeple.

To avoid any conflict the independent members of the Board are expected to seek advice separately from the Menaged interests which are being handled by merchant bankers Hill Samuel. A further statement is not expected for some weeks.

Announcement of the talks coincided with a lifting of the suspension and Jackson and Steeple shares ended the day 12p higher at 40p.

ROBT. R. STOCKFIS

Robert R. Stockfis (Manchester) has acquired John Starkey Transport which has acted for a number of years as transport contractors to Brownhills Sheet Metal and Engineering Company, a subsidiary of Stockfis.

CARBORUNDUM —WEYBURN

Carborundum, the U.S. group making an agreed cash offer for Weyburn Engineering, has now given Weyburn shareholders an alternative in the form of Sterling Unsecured Loan Notes. The Notes, which will not be transferable nor listed on the Stock Exchange, will bear interest at 11½ per cent. and will be redeemable at par on April 30, 1980. The first interest payment on the Notes will be paid on October 31 and thereafter at six monthly intervals.

The cash offer—following adjustment for a three-for-two scrip issue—is 170p per Weyburn Ordinary share. Preference holders are offered 33p cash per share.

Irrevocable undertakings to accept the offer have been given amounting in total to 43.3 per cent. of the equity. Together with share purchases through the market Carborundum already holds over 50 per cent. of Weyburn.

SOUTHERN CONSTRUCTIONS BUYS CAFFIN

Southern Construction Group has acquired the business assets of Caffin and Company, the Rickmansworth based construction company from that company's receiver.

The consideration payable in cash is £153,660 plus a further sum of up to £100,000 the payment of which is determined upon certain conditions being fulfilled.

Negotiations are in progress for the assignment to the Southern Constructions Group of the current construction contracts of Caffin.

Following the acquisition, Southern Constructions considers that benefits will accrue to the group from the extension of the geographical area of operation.

TRUST BANK OF AFRICA LINK-UP

The Stock Exchange quotation of Trust Bank of Africa, the South African concern whose shares have hitherto been listed in Britain, was temporarily suspended yesterday at the company's request.

A statement said that another South African banking company, Bank Holding Corporation of South Africa, and Trust Bank had reached agreement to rationalise the activities of the two groups. Further details are to be made available within a few days.

The news comes as there have been increasing indications of a possible trend towards more link-ups among smaller South African banking concerns.

The shares of Trust Bank, which have ranged between 21p and 62p since the beginning of 1976, stood at 27p at the time of yesterday's suspension.

AE outlines benefits to Serck

Associated Engineering has unsuccessfully offered its problem subsidiary Covrad to Serck in January, 1976, reveals Mr. John Ferguson, chairman of AE in the documents accompanying the hotly contested £34m. offer for Serck.

"Serck decided that this proposal was not of interest to them but we remain convinced of the advantages of a combination with Serck," adds Mr. Ferguson.

It is in the field of industrial heat exchangers that the products of the two groups overlap. However, Mr. John Pinckard, group chief executive of Serck said yesterday that industrial heat exchanger turnover at Covrad, which lost money heavily in recent years but is now in profit, was only about £4-£5m. compared with Serck's £18-£20m. In addition it formed only a part of Covrad's total activities including unrelated presswork and space heating production. "It was and is of no interest to us."

Mr. J. G. Collyear, managing director of AE, said yesterday that the combined heat exchanger activities would have a probable 70 per cent. share of the U.K. market but stressed that it was an international market.

AE say that its interest in Serck goes beyond the heat exchanger side only, claiming that a merger would provide Serck "with greater resources with which to meet international competition and greater stability during the trade cycles which have in the past affected the demand for Serck's products."

"It would also give Serck the benefit of greater long-term financial strength permitting more substantial and sustained expenditure on research and development, capital investment and marketing than would be the case if Serck were to remain independent."

Apart from the heat exchanger side, where AE says that technology is "not yet well developed" and suggests that an enlarged group will be able to finance the necessary R and D, Mr. Ferguson cites the advantages of economies in marketing and distribution in certain common areas and technical know-how on precision castings which would be available to Serck's predominant valve side as well as heat exchangers.

Mr. John Pinckard dismissed these claims last night as "largely nonsense" in saying that Serck had a much stronger balance-sheet with respect to future investment ability, taken size for size, and that £6m. was earmarked for the heat transfer side alone by the end of the decade.

On the financial front, Mr. Ferguson points out that the AE offer represents an increase in capital value of more than 50 per cent. on the price of Serck before the bid was announced, and an increase in income, based on AE's forecast dividend, of more than 70 per cent.

In addition, he says that if Serck were to contribute its share of earnings on merging, in line with a 27.4 per cent. equity stake, it would have to make pre-tax profits of about £11m. in the current year against £7.1m. last year.

Serck fell 1½p to 86p yesterday, a shade below the value of the AE nine-for-ten share exchange offer of 88½p with AE at 98½p. AE holds no shares in Serck.

The offer by AE, which has been advised by Hill Samuel, is due to close on March 17. Serck is advised by Robert Fleming.

See Lex

Bancal now to consider bid from Standard Chartered Bank

THE BOARD of BanCal Tri-State Corporation is to meet on March 1, to consider Standard Chartered Bank's $130m. (£76m.) take-over offer for Bank of California, the group's main asset. The bid was quickly rebuffed on behalf of the bank's management by Mr. Chauncey Schmidt, chairman of the bank and of BanCal Tri-State, who said they believed that, in the light of the bank's prospects, "shareholders, customers and employees would be best served with the continuance of the bank as an independent institution."

It now appears likely that Lord Barber, the former Chancellor of the Exchequer who is Standard Chartered's chairman, and Mr. Peter Graham, a director, who is with him, will remain in California until Tuesday. Clearly, Standard Chartered's hope must be that, despite the opposition by the chairman and the management, the 25-strong Board will submit the bid to shareholders.

Lord Barber said after Mr. Schmidt's rejection statement: "We are confident that when the Board of BanCal Tri-State considers the matter, they will take into account the interests of the shareholder group as a whole—the smaller shareholders whose holdings comprise the majority of the shares, as well as the large shareholders." Referring to Mr. Schmidt's comment that: "Even if agreement could be reached on the terms of the transaction, many additional months would be consumed in seeking the regulatory approvals," Lord Barber remarked: "This suggestion runs completely contrary to all the legal advice which we have received."

Government sources suggest that regulatory authorities will look very closely at the proposed acquisition in view of the existing controversy about the freedom of foreign banks to open branches in different states. U.S. banks in general are restricted by law from opening branches in more than one state. Ban-Cal Tri-State is one of the few U.S. banks which has received special exclusions from this restriction, which makes its acquisition by a foreign bank even more controversial.

The bank's executives are restricting their public comments on the situation in advance of next Tuesday's Board meeting. Sources close to the situation suggest however, that the bank was already engaged in plans to reinforce its capital base before the Standard Chartered approach.

There is speculation too about whether Standard Chartered discussed the proposed acquisition before the announcement with major shareholders of Ban-Cal Tri-State. There have been indications that there were discussions, although there have also been public denials.

One of the nuances of the situation is that although Rothschild interests control almost 28 per cent. of the equity, and another block of around 10 per cent. is controlled by the Warschaw family of Los Angeles, these two shareholding blocks have only five representatives on the Board. Therefore even if their expressions of support for the management, reported yesterday, hold firm—both major shareholders are said to be unwilling to liquidate their holdings—it is possible that the Board could vote to accept the Standard Chartered offer.

CAMPARI EXPANDS INTO SWEDEN

Campari, the active leisure group, is forming a Swedish subsidiary Campari AB as a platform for further European expansion.

It already has subsidiaries in Holland to cover Benelux and also in Germany. By the end of 1978, it is planned to cover the whole of Europe.

Campari has been selling its products in Sweden for some years. Decision to form a wholly-owned Swedish subsidiary has come because of the growing demand from large stores, specialist retailers and mail order houses.

BROOKE BOND

Brooke Bond Liebig's meat processing operations in Argentina will be unaffected by the sale of the ranching interests in that country. This was not made clear in yesterday's report on the sale.

LINFOOD GATEWAY

Linfood Holdings has received acceptances of its offers for the shares of Gateway Securities not already owned by it in respect of 539,108 Ordinary shares (of which 164,482 are in respect of the cash alternative) 5,586,109 A Ordinary shares (of which 217,939 are in respect of the Cash Alternative) and 7,453 7 per cent. cumulative Preference shares.

Together with 248,969 Ordinary shares, 2,198,077 A Ordinary shares and 2,061 Preference shares of Gateway acquired by Linfood on January 17, 1977, these shares represent 94.9 per cent. of the votes exercisable at general meetings of Gateway. The offers are unconditional in all respects and will remain open. The cash alternative is closed.

Dealings in the new Ordinary shares are expected to commence on February 24, for deferred settlement on March 15, 1977.

Licence fee up

THE FEE for provisional driving licences and some exchange driving licences goes up to £2 from next Tuesday, March 1, from £1 and 50p respectively. The fee for duplicate driving licences has been £2 since January 1.

LIBERTY LIFE/FIRST UNION GEN.

First Union General Investment Trust announces that Liberty Life Association of Africa now holds slightly less than 50 per cent. of the Ordinary capital of company. The Board has been reconstituted under the chairmanship of Mr. D. Gordon, chairman of Liberty Life.

BETT BROS.

Bett Brothers announces a new addition to the group. The company, which has been registered in the name of Bett Inns is to operate licensed premises, initially in the East of Scotland.

Currently negotiations have been concluded for the acquisition of three public houses in Dundee and it is intended to acquire further suitable premises as and when the occasions arise.

SIRYCON

Sirycon, of Twickenham, Middlesex, has acquired the business of Chemical Engineering Construction (Pensnett), designers and contractors in the field of ferrous and non-ferrous metal acid pickling, acid regeneration and effluent treatment.

The acquisition, says Sirycon, will complement and extend its own activities in the design and installation of sulphuric acid process plants and in the technology of environmental protection.

LONRHO/DUNFORD

The offer by Lonrho for Dunford and Elliott, is due to close on March 16 and not March 26 as stated in yesterday's report.

SHARE STAKES

John Sissmore and Co. has increased its holding in Moran Tea Holdings by 2,000 shares to 76,882 shares (21.98 per cent.).

Rowan and Boden announces that Noswal has disposed of 10,000 shares in the company, and now holds 3,140,514 Ordinary shares (77.72 per cent.).

MENDIP INV. —CABOT

Mendip Investment's quarterly report to shareholders despatched in December, 1976, stated that documentation regarding proposed amalgamation with Cabot Unit Trust would be received by members by the end of January, 1977.

It has taken longer than expected to complete the technicalities of the amalgamation and finalise the documentation. However, agreement has now been reached as to the detailed terms of the amalgamation, and subject to approval by relevant government departments, formal documents will be despatched by the end of March.

TOOTAL MAY BID FOR SLIMMA

The capitalisation of the equity in Slimma Group Holdings increased by over 50 per cent. yesterday in speculative trading ahead of the announcement that Tootal, the Manchester-based textiles concern, was holding discussions which "may lead to an offer being made" for Slimma. The shares closed 34p up at 91p, and the Stock Exchange confirmed that it is "taking a look at the situation to see whether a full-scale inquiry would be justified."

The Tootal shares were 2p down at 35p.

A spokesman for Tootal said that the sharp rise in the share price had forced both companies into making an announcement earlier than had been intended. He hoped that it would be possible to announce an agreed bid towards the end of next week.

Tootal reported attributable profits for the year to January 31, 1976, of £3.7m. on a turnover of £258m. It is predominantly involved in the sale of thread and other textile products, and also includes some retailing, paper-making and printing activities.

Slimma's principal activity is the production and marketing of ladies' dresses, slacks, skirts, blouses, and sportswear and household textiles. Slimma reported attributable profits of £581,000 and a turnover of £15.8m. for the year to June 30, 1976.

WCF NOT TO BID FOR CARRS

West Cumberland Farmers has agreed not to proceed with the approach announced on January 25 which might have led to an offer for the ordinary shares of Carrs Milling Industries.

Carrs has agreed that the two sides should come together to discuss the future of their feed marketing interests and have indicated to WCF that the discussions can be of as broad a scope as WCF might wish.

BOWDEN FREIGHT

Hauliers, Bowden Freight International has doubled its London fleet as a result of taking over another road-transport company, J. C. Prout Transport. The combined London fleet will now be 52 lorries.

BFI has already diversified its business by acquiring the south-east London Fiat truck franchise under the name BFI Trucks, and a service agency at Wellingborough.

ASSOCIATES DEALS

Montagu Loebl Stanley and Co. on February 23 bought 240,000 Maurice James Holdings at 22½p on behalf of an associate of the company.

Sabin Bacon and Co. bought 25,000 Maurice James (Holdings) at 25p on behalf of associates of York Trust.

MINING NEWS

UC Investments marking time

BY KENNETH MARSTON, MINING EDITOR

PROVIDING that gold continues to trade at over $130 per ounce this year—it was $140½ yesterday—UC Investments expects that most of its South African gold mining investments will be able to match their current dividend distributions which, together with income from Impala Platinum, should allow UC Investments to maintain its profits.

All but 3.5 per cent. of the market value R85.3m., or £57.4m. of the company's investment portfolio is in mining issues. The chairman, Mr. E. Pavitt, says that of the four producing Evander area gold mines in which the company has substantial shareholdings, Kinross and Winkelhaak still have long lives ahead while Bracken is unlikely to remain in production for more than three years. Leslie's life is also put at three years but it could be extended at higher gold prices and an application for State assistance is being considered.

Mr. Pavitt says that opportunities for profitable exploitation of the company's coal rights in the Evander area may now be moving closer. He points to last year's agreement with Union Corporation, Clydesdale (Transvaal) Collieries and Trans-Natal Coal for the joint exploitation of coal rights. The end-1976 net asset value of UC Investments equalled 480 cents (390p) per share, the latter being 160p yesterday.

ROUND-UP

The Swaziland Government has announced that the London group, Lonrho, has relinquished all rights in its Havelock asbestos mine concession. A Lonrho team, lead by the chief executive, Mr. R. W. Rowland, has been in Swaziland discussing new joint ventures with the Government.

* * *

A rich cobalt-silver vein has been intersected by Agnico-Eagle Mines during exploratory drilling at the Cobalt Lode Mine in Ontario. Drilling from 1,600 feet below the surface, the vein was intersected 635 feet from the collar and assayed a high 339.4 ounces silver over a 3 inch width. A second hole is now being drilled. High grade silver has also been encountered below the Beaver Mine workings, but Agnico-Eagle gives no details.

* * *

International Minerals and Chemical Corporation Canada ha[s] decided not to develop commer[cially] a phosphate deposit a[t] Cargill Township, 400 miles nort[h] of Toronto. It is held that th[e] costs are unjustified unde[r] present competitive condition[s]. Geologic studies will continue.

RCM WORKING AT A PROFIT

Zambia's copper mines are con[tinuing] to make operating profit[s] but they still have some way t[o] go before they are out of th[e] financial woods. Roan Consol[i]dated Mines, which is 51 per cent owned by the Zambian Govern[ment], announces a Decemb[er] quarter net profit of K8.84m (£6.45m.), making K17.54m. f[or] the half-year compared with [a] loss of K0.28m. for the same peri[od] of 1975.

But in view of the company['s] capital expenditure and the nee[d] to repay other borrowings RC[M] was unable to reduce its deb[t] of K42m. to the Bank of Zamb[ia] and has again passed its dividen[d]. A temporary shut down for mai[n]tenance of the Mufulira electr[ic] smelter will reduce copper outp[ut] in the current half of the fina[n]cial year to June 30, but the lo[ss] should be made up later this yea[r]. RCM were 140p yesterday.

COMALCO BOOSTS DIVIDENDS

The Australian aluminiu[m] producer, Comalco, which is pa[rt] of the Rio Tinto-Zinc group, h[as] declared a final dividend of 5.[?] cents (3.36p). This makes a tot[al] distribution for 1976 of 8 cen[ts] a share and compares with a 197[5] total of only 2.75 cents. Distrib[u]tions for 1974 and 1975 were eac[h] 6.5 cents.

The higher payment for 197[6] comes on the back of a health[y] rise in profits. It was announce[d] last week that net earnings la[st] year were $26.4m. (£16.9m.) com[pared] with $6.3m. in 1975 as th[e] group gained the benefit fro[m] better prices on the sale [of] primary metals to internation[al] customers. Comalco were 215 yesterday.

James Bay agency defines new role

CANADA'S James Bay Development Corporation, which is owned by the Quebec Government and has the general responsibility for the development of mineral and other resources in the James Bay territory in the north west of the province, expects to clarify its role with the new administration of Mr. Rene Levesque in the next few weeks.

Our Montreal correspondent reports that the Minister of Energy, Mr. Guy Joron, has indicated that there is no intention of merging JBDC with another provincial Government agency, Soquem, which is engaged in mining.

Under its 1971 act of incorporation JBDC receives an average of $10m. (£5.87m.) a year from the provincial Government. At present it has a working capital of $30m. ready for mineral development projects.

Since the plan for JBDC to own a half share in the corporation developing the $15bn. James Bay hydro project was dropped in the early 1970s, JBDC has turned towards joint mineral exporation projects with groups like Noranda, Selection Trust a[nd] Pechiney.

JBDC sources say that th[ere] are potentially commer[cial] deposits of uranium in Lagrande River basin, the cen[tre] piece of the hydro pro[ject] although much more prov[ing] work is necessary.

Lead, zinc, nickel a[nd] asbestos have also been foun[d]. JBDC controls the Lac Alban[el] iron ore deposit near Chibo[u]gamau in partnership wi[th] Cleveland Cliffs of the U.[S.] Albanel is seen as prospect f[or] development in the 1990s.

JBDC has maintained a role in the operation of some of the hydro project's infrastructur[e] but our correspondent says th[e] corporation would not be adverse to this being taken ov[er] by the project operator, Hyd[ro] Quebec.

It sees its role as fostering integrated development of the territory's mineral resources in partnership with the priv[ate] sector. Because Soquem's role is to develop new mining develo[p]ments in the short-term, there would be little logic in trying together.

Interest rates help Barclays to £198m.

...S PARTLY to the growth of world business and partly to high U.K. interest rates in the ...r half of the year, pre-tax ...ts of Barclays Bank advanced ... £142.02m. to a record ...98m. for 1976 after £106.2m. ...nst £67.8m., in the first half. ...ull-year stated earnings per share are shown to be ahead ... 31.1p to 40p, and the final ...end is up from 4.6931p to ...5p lifting the net total from ...p to the maximum permitted 9.5924p.

...r. Anthony Tuke, the chairman, says that Barclays International has provided a substantial contribution, based on its expanding business; Barclays Merchant Bank had a good year ... profits of £7.3m. and group also benefited in 1976 ... profits of £6.9m. made by ...antile Credit Company, ...red at the end of 1975.

...e improvement in experience ...btful debts in the U.K. has ...ued throughout the second ...he adds.

...up deposits rose by 19 per ... to £17.25m. with pre-tax ...s representing about 1p per ... deposits.

...e increase of £140.4m. in ...holders' funds to £912.96m. ...eant that it has not been ...sary to call for further ...l. The addition arose from ...ned profits of £59.7m. ...m.) and other items, in... a revaluation of U.K. ...rties of £57m. and a non... surplus of £21.6m. due ...change rate variations.

...menting on the statement ...t had not been found necessary to call for further capital, ...Deryk Weyer, group vice-...man, said they had no need ... U.K. for the money from ...ts issue. If there were a ...sity to raise cash, it would ...ther in connection with in...ional expansion, which ...be financed through dollar ...her foreign currency bor...

...etheless, he added that, ...they remained relaxed ... a rights issue, they ...ly looked at the idea from ... to time and discussed it ...he Board.

...d whether the group would ...plate a small rights issue ...eans of giving shareholders ...ger dividend, Mr. Weyer ... that he did not believe ... in shareholders' interests ... group to raise cash it did ...ed.

...ughout 1976 the group had ...available to meet the needs ...tish industry, but demand ...ak. In spite of the re...tion of the "corset" the ...rs would expect to have ...t funds to support any in... ...al demand which may ...lace this year.

	1976	1975
	£000	£000
[illegible]	160,591	128,117
[illegible]	13,799	12,622
[illegible]	210,690	150,230
[illegible]	12,500	5,210
[illegible]	197,990	142,619
[illegible]	103,998	73,885
[illegible]	91,904	68,134
[illegible]	11,476	7,787
[illegible]	732	664
[illegible]	79,676	59,465
[illegible]	9,695	8,294
[illegible]	10,394	8,488
[illegible]	59,677	41,564

...-trading surplus of £39.7m. ...lignment of exchange rates ...st a deficit of £4.62m. in ...as after taxation and ...y interests been taken ...t to reserves. The com... ...s figures for 1975 have ...ngly been amended. ...5 also a further provision ...km. was made against advances and deducted from operating profit but no material further provision of this nature was necessary in 1976.

Operating profit for 1976 includes £1.53m. (£1.35m.) in respect of forward investment income and was struck after providing depreciation up from £25.62m. to £33.27m.

Profits and losses on realisation of investments other than trade investments are taken to profit and loss account in equal annual instalments over a period of five years commencing with the year in which they arise. Losses charged against operating profit amounted to £7.23m. (£4.24m.) including a proportion of £6.27m. losses (£3.09m. profits) realised during the year.

Contributions for 1976 to the main pension fund are at the same rate as in 1975. The amount allocated to Trustees for the profit-sharing scheme and charged against operating profit was £7.16m. (£5.08m.).

Extraordinary items include losses less profits on disposal of holding or part holdings in trade investments, subsidiary companies and branches.

In April, 1976 Barclays Bank International, a wholly-owned subsidiary, issued $U.S.50m. capital notes and $U.S.25m. capital bonds.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—F. Austin (Leyton), J. and J. Dyson, Hardy and Co. (Furnishers), Nespacel.

Finals—Algemene Bank Nederland, British Enkalon, Kleeman Industrial, Lamson Industries, Olives Paper Mill.

FUTURE DATES

Interims—
EMI ... Mar. 3
Raine Engineering ... Feb. 28
Ricardo Engineers ... Mar. 22

Finals—
Abel Morrall ... Feb. 28
British Petroleum ... Mar. 17
City and Commercial Inv. Trust ... Mar. 1
Early (Charles) and Marriott (Witney) ... Apr. 1
Metal Closures ... Apr. 4
Montfort (Knitting Mills) ... Mar. 9
Trade Indemnity ... Mar. 15

Outlook at Glasgow Stockholders

The directors of Glasgow Stockholders Trust are becoming more optimistic about the future of the U.K. though these are still early days, the chairman, Mr. A. Rintoul, tells investors.

And they think that a more positive outlook will develop in the U.S. market. For this reason it is intended to continue the U.S. dollar loan facility when it expires in March.

In the lesser markets, Hong Kong seems particularly attractive and holdings have been increased using funds formerly invested in Japan and Singapore.

Based on end December 1976 valuations, a geographical distribution of investments shows that 43.57 (43.73) per cent. of the portfolio was invested in the U.K., 33.59 (27.98) per cent. in the U.S. and 8.89 (3.84) per cent. in Hong Kong.

Mr. Rintoul recalls that in 1970 the company committed itself to a substantial equity investment in Scottish Canadian Oil and Transportation Company which, in 1976, financed its share of the development costs of the Ninian Oilfield. A further discovery was made shortly after. In January 1977 a share exchange merger was completed with London and Scottish Marine Oil Company.

The chairman says that the combined companies have extensive interests in the North Sea and the directors are optimistic for the future.

As known, revenue before tax for the year 1976 improved from £0.38m. to £0.41m.

Good increases in dividend have been received from the British portfolio but there is a substantial element of exchange rate variations in the apparent increase in income from the overseas portfolio. The chairman says that the effects of exchange rate variations are also seen in the increased charge for loan interest (£137,667 against £127,784) which conceals the fact that interest rates on overseas borrowings have declined during the year.

Meeting, Glasgow, March 18, 11 a.m.

Skol Brewery advances 12%

Net profit of Allied Breweries' Dutch subsidiary, Skol Brewery, rose by 12 per cent. to Fls.7.4m. in the year ended September 30, 1976. Sales increased 8 per cent. to Fls.470m.

In the company's annual report the directors say that the profit growth was partly attributable to *relatively lower taxation, as a* result of higher investment *deductions.*

Sales of beer in Holland under the "Skol" brand name have grown, but the other brands are encountering a fierce price competition. The beer sector, as well as soft drinks, benefited from the good summer weather, but the latter was subject to an almost unchanged strong competition as a result of the continuing over-capacity.

The directors added that the company has drawn up an investment programme for the plant in *Helmond which will require* funds totalling Fls.43m. (£10m.). It has been *decided that* medium-term expansion of capacity in the beer sector will take place only at Helmond which will be developed into a complete brewery. Bottling capacity there will also be increased eventually.

ISSUE NEWS

LONDON ISSUE A SUCCESS

The issue of £25m. of 13½ per cent. *stock 1983 by the Corporation* of London at £98.50 per cent. *has met with a tremendous* reception. It is suggested that the issue was 40 times over-subscribed.

The basis of allotment is as follows: applications in the £100 to £1,000 band will be allotted in full; applications for £1,000 to £39,000 get £1,000 and applications for £39,500 and over get approximately 2.62 per cent. of the amount applied for. Letters of allotment will be posted to-night.

Northern Foods sees further growth

EARLY figures in the new year *at Northern Foods show reason-*able profit improvements and *Mr. N. Horsley, chairman, expects* a first half increase over the previous *comparable period's £5.84m.* pre-tax.

Referring *to the enormous* progress made in the previous two years, and uncertainty in present economic conditions, he warns however that it would be unreasonable to expect this rate of progress to be continued in 1977.

On December 17 the group announced a record pre-tax profit of £15.14m. (£9.38m.) for the year to *September 30, 1976,* which included a contribution of £1.07m. *(£0.81m.) from* British Credit Trust, a subsidiary, and £142,000 from associates. Profit also included, for the first time, a year's contribution from Clover Dairies.

The chairman reports that the cash position has again improved considerably — borrowings have been *further reduced by £3m. and* short-term investments and cash have increased by a similar amount. The policy to deploy short-term funds for investment is reflected in the much higher level of income from investments —£0.66m. more.

Referring to liquid milk sales at Northern Dairies, Mr. Horsley says that the serious impact of *October, 1976, and January, 1977,* price increases are beginning to be felt.

The dairy rationalisation plans have made progress, he adds. On manufacture, prospects entirely relate to the milk supply position in 1977, which "appears quite promising at this stage."

In Ireland, *the new large dairy* at Ballymena, replacing three old *ones, will soon* be complete and in the long run substantial benefits will *arise*. Further investment in manufacturing facilities is under active consideration, but the benefits arising would not be immediate.

At Northern Cake and Flour *the company is facing heavy price* increases in 1977. However, an *increased* contribution *overall* is being budgeted for in the coming year.

Separate accounts are issued for British *Credit Trust,* which show that turnover for the same period *improved from* £15.78m. to £21.95m.

Mr. Horsley says that there is little growth in the consumer market at *the present time* and the general economic circumstances are *not favourable*, but he feels that the company will be *able to achieve some expansion* in the current year.

The profit *increase reflects the* running off of business written at *low margins prior to the escala-*tion of interest rates in 1973, and also determination to maintain margins. Deferred charges have at last stabilised and now show a modest increase from £3.7m. to £3.9m. and he expects to see this trend improving. Unfortunately the present outlook is very *difficult in view of the current* record levels of interest rates, but *measures have been taken to* offset the worst of these increased costs.

Strict standards are set on the quality and *short-term* nature of business, thus ensuring the maintenance of a very strong cash flow.

Current levels of new business are reasonably encouraging but he does not envisage much real growth in the consumer market. Nevertheless the company is *developing plans* to provide a wide range of facilities to *customers* and an *increase* in market share of the available business is expected. In the industrial sector he expects to see some growth in leasing and the company is in a position to take advantage of any opportunities for increased business.

Meeting, Hull, April 1, 12.30 pm.

Six cities want meeting with Callaghan

SIX ENGLISH cities want to meet Mr. Callaghan, the Prime Minister, and Mr. Peter Shore, the Environment Secretary, to discuss plans to deal with inner city *decay.* They fear that renewal resources will be spread too widely to have any *real effect.*

*In a document published yes-*terday the cities — Birmingham, Leeds, *Liverpool, Manchester,* Newcastle and Sheffield — claim *that a deputation from the* Association of Metropolitan *Authorities which will discuss* the organisation of inner city *regeneration with Mr. Shore* "will include not one representative *of the six cities.*"

The submission by the cities is in response to a speech made by Mr. Shore in Manchester last September when he stressed the urgency of tackling the renewal problem.

In a letter to the Prime Minister accompanying the submission Mr. Robert Calderwood, chief executive of Manchester, asked the Prime Minister and Mr. Shore to meet a deputation.

Order bans whisky name in Korea

FOUR MEMBERS of the Scotch Whisky Association were granted a temporary High Court Order on Thursday, banning Nordren McCall, of Half Moon Street, Mayfair, from supplying Korea with bulk malt whisky for mixing with local spirit and passing off as genuine Scotch under the "George Drake" label.

The ban granted to Johnnie Walker, Macdonald Greenlees, White Horse and John Haig is good until the hearing of their *main* action against Nordren McCall, a wholly-owned subsidi*ary of* Henkes.

Mr. Justice Graham said there *was no reason why the company* should not continue to export malt *whisky to Korea* for blending with local spirits provided it *ensured there was no* continued use of the "tainted" George Drake *name* or other name liable to lead to sale as *Scotch whisky*.

Move to curb cottage-buying in Lakes

THE DEPARTMENT of the Environment may be approached for help in keeping holiday and week-end home-buyers out of the Lake District National Park. Allerdale District Council, the area of which overlaps the *national park*, has been recommended by its housing committee to ask the Department to restrict planning permission on development by outsiders because of local people's difficulties in finding homes.

The man behind the move, Councillor Brian Wilson of Workington, said yesterday that fewer than half the 5,000 houses built in the Lake District Special Planning Board area since its formation have been occupied by local people. "Throughout the Special Planning Board area as a whole you find farmers and shepherds in the more isolated areas. Without these people—and they are being forced out—there is no Lake District."

Better railway diner service

BRITISH RAIL is to launch a new "*Travellers-Fare*" *grill* menu service at the end of March *tested on some* BR routes last summer. It is to be introduced *first on West coast* main line services out of *Euston.*

It offers a meal served throughout the day *from* £2.15 and at half-price for children under 11. There will be an attractive menu and French "house wine" at £1.85 a bottle or 90p a half bottle.

BANK RETURN

—	Wednesday Feb. 23 1977	Inc. (+) or Dec. (—) for week
BANKING DEPARTMENT		
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	23,881,466	+ 6,365,619
Special Deposits	711,575,000	15,690,000
Bankers	311,416,633	+ 38,264,675
Reserves & Other A/cs	424,244,600	— 14,384,476
	1,485,670,699	+ 29,265,739
ASSETS		
Govt. Securities	887,282,479	— 136,165,000
Advances & Other A/cs	498,988,948	+ 149,562,165
Premises, Equip't & other Secs	86,978,477	+ 25,042
Notes	12,190,222	+ 5,854,454
Coin	220,573	— 10,922
	1,485,670,699	+ 29,265,739
ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes Issued	6,725,000,000	+ 25,000,000
In Circulation	6,712,809,778	+ 19,145,546
In Bank'g Dept	12,190,222	+ 5,854,454
ASSETS		
Govt. Debts	11,015,100	—
Other Govt. Secs	5,599,293,432	+ 10,859,844
Other Securities	1,114,691,468	+ 14,140,156
	6,725,000,000	+ 25,000,000

APPOINTMENTS

Two non-executive posts on Hill Samuel Board

Lord Barnetson, chairman and managing director of United Newspapers, and Mr. G. J. Wilkins, chairman of the Beecham Group, have been appointed non-executive directors of HILL SAMUEL GROUP.

★

Mr. E. I. Japhet has been appointed chairman of BANK LEUMI (U.K.). The post became vacant on the death of Sir Henry d'Avigdor-Goldsmid last year. Mr. Japhet is chairman and chief executive of Bank Leumi le-Israel BM.

★

Mr. Brian Boone has been *appointed to the Board of* CANADA DRY (U.K.) as sales director.

★

Mr. Douglas K. Bonnar has been appointed managing director of CHASE BANK (CI) and Mr. Ralph R. Thornton has become general manager. Mr. David Mitchell has been made managing director of Chase Bank (CI) Trust Company. Mr. Bonnar succeeds Mr. David C. Lewis who is taking on new responsibilities at Chase Manhattan Bank in London.

★

Mr. W. P. Bradshaw has been appointed deputy general manager of London Midland Region of BRITISH RAIL. He succeeds Mr. D. M. Howes, who has become deputy managing director of Transmark, *consultancy subsidiary* of BR.

★

Mr. M. Robert Dussler, Jr., has *been named* vice-president and general manager of the London branch of TEXAS COMMERCE BANK. He succeeds Mr. Robert C. Hunter who now becomes senior vice-president, Europe, Middle East and Africa, before returning to Houston in July to take up a position as assistant division manager of the international division. Other appointments at the London office are: Mr. Tudor F. Morris, vice-president and assistant general manager, treasury; Mr. Keith D. Oldfield, vice-president and credit manager; Mr. Donald F. Rogers, vice-*president and operations* manager; and Mr. L. Christian Hershberger, vice-president, credit.

★

Mr. David J. Surridge has been appointed managing director of UNITANK STORAGE COMPANY from March 1. He succeeds Mr. Michael J. Lodge, who was chief executive and leaves to take an outside appointment.

★

Mr. Gordon S. Robinson has *been appointed managing* director of RIBBLE PACKAGING, formerly F. and D. Packaging. He was previously marketing director of the company.

★

Mr. Richard D. Fenhalls has been elected a vice president of AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION (AEIBC) and general manager for th eU.K. and Ireland. He was previously with Marine Midland Bank.

★

Mr. C. B. Gee has joined the Board of *REDLAC ENGINEERING* GROUP and continues as managing *director* of *Redlac Refining*, a subsidiary.

★

Mr. John Stewart, chief accountant for CHILTERN MOTOR HOLDINGS, has been appointed a director. Mr. Tony Edwards, chief accountant of Eyles and Coxeter, a subsidiary, has been made a director of that company. Mr. Edwards has also become secretary to Chiltern Motor Holdings in place of Mr. Vic Cardy, who has now relinquished that position and is to retire from the Board in 1978.

★

Lord Wigoder of Cheetham is to be chairman of the HEALTH SERVICES BOARD. He succeeds Mr. Ralph Gibson, who has resigned on his appointment as a High Court Judge. Lord Wigoder, a Recorder of the Crown Court since 1972, will continue to practice at the Bar.

★

Mr. Jack T. Ackred has been appointed to the Board of SANDHURST MARKETING.

★

Mr. Lionel Savery, head of labour relations, has been appointed personnel director of IPC MAGAZINES. He also joins the Boards of the Women's Magazines Group and General Magazines Group of the company.

★

Major-General A. H. Farrar-Hockley, director, combat development (Army), Ministry of Defence, is to become General Officer Commanding South East District, in the rank of lieutenant-general, in May, in succession to Lieutenant-General Sir James Wilson, who is to retire.

★

Mr. J. P. Wood has been *appointed to the* Board of J. BIBBY AND SONS.

★

Two appointments made by WEETABIX to its Board are Mr. Norman Foster (sales), Mr. W. J. Harrison (marketing).

INTERNATIONAL COMPANY NEWS

Setback in sales, reports Alfa Romeo

By Paul Betts

ROME, Feb. 24.

ALFA ROMEO, the car manufacturing subsidiary of the Italian State holding group IRI, reported to-day a drop of about 33,000 unit sales last year compared to the previous year. Figures released by the company in Milan show that unit sales dropped from 227,000 in 1975 to 194,400 last year.

Although production increased from 189,700 units in 1975 to 201,300 last year, this is about 50,000 units below the 1976 target of 250,000 cars which Alfa Romeo chairman, Sig. Gaetano Cortesi, had set at the company's annual general meeting last June.

The figures show that last year the company's northern plant, Alfa Nord, produced 108,200 units and sold 108,500 cars, while the southern plant, Alfa Sud, produced 93,000 and sold 88,900 units. Of Alfa Sud sales, 50,600 were for exports.

The company also reported that investments last year totalled L70bn. (about £46m.).

Since it was set up, Alfa Sud has consistently reported heavy losses, and according to its last balance sheet the company lost in 1975 L60bn. (about £40m.).

Daily production at the Alfa Sud plant at Pomigliano D'Arco, near Naples, was expected to reach over 1,000 cars a day in 1974, but has in effect averaged around 400. The plant has been plagued with labour troubles, and in 1975 alone 1,430 unofficial strikes were reported.

Meanwhile, the Turin-based Fiat group has reported a 3.1 per cent. increase in car sales last year compared to the previous year. According to provisional figures, the group sold 1,308,300 cars last year, some 617,000 in export sales.

However, the first stage in the Fiat negotiations with the trade unions over a new collective factory agreement for Fiat workers ended yesterday in apparent deadlock. The unions, who are demanding increases in fringe benefits and the development of a more dynamic management employment policy, have threatened to call a number of token strikes in the next few days. Negotiations are expected to resume later next month.

Upsurge at MacMillan

BY JAMES SCOTT

TORONTO, Feb. 24.

ALTHOUGH ITS transportation division continued to lose money, MacMillan Bloedel made a strong profit recovery in 1976 after experiencing its first loss ever in 1975. Profit for the year was $C22.8m. or $1.07 a share compared with a loss of $18.9m. in 1975. Revenue was $1.32bn. compared with $1.29bn. The company's transportation division lost $23m. last year before tax recoveries compared with a loss of $46m. in 1975.

The losses in this division are expected to decline as existing charters expire and the chartered ships are returned to their owners a further improvement in overall sales and a profit is expected this year despite a slow first quarter—largely the result of the severe weather conditions experienced in the United States this winter.

The company announced that it plans capital expenditures during the next five years totalling $590m. Of the total $450m. will be spent in British Columbia to expand its forestry logging, lumber, plywood, pulp paper, paperboard and packaging operations and to install more pollution abatement controls in addition to its British Columbia programme. The company will spend $140m. for other converting operations elsewhere in Canada, in Britain and in the United States. The total spending will be financed by a combination of internal cash flow, external borrowings and a new $85m. issue of preferred shares to be placed privately with institutions in Canada.

KOREAN ENTREPRENEURS

Handover at Hyundai

BY DOUGLAS RAMSEY IN TOKYO

MANAGEMENT at Korea's biggest industrial group, Hyundai, goes completely native in March. Mr. George Turnbull, former managing director at British Leyland, will put in his last appearance as vice-president of Hyundai Motor Company at the Geneva Car Show next month, and his departure follows closely on that of Mr. Kurt Schou, the Dane who was president of Hyundai Shipbuilding and Heavy Industries.

Neither foreign manager was expected to stay much longer than their three-year contracts, so the exit of both will not leave either company in the lurch. Some foreign technicians are still working at the car plant and shipyard located near Ulsan on the south-eastern coast of Korea, but they too will leave in time.

Foreign management

But the fact that Hyundai has been able to dispense with its top foreign management so early is a clue to how well they did their jobs as well as to how secure the five Chung brothers—owners and managers of all the group's companies—are feeling about Hyundai's future.

Hyundai is doing very well. Some critics in the banking world fear that the group's phenomenal growth in recent years may have taken place too quickly and that expansion into new sectors should be delayed. But neither the chairman, Mr. Chung Ju Yung, nor the real force behind Hyundai's growth, his brother Mr. Chung In Yung, seem to agree.

Next month, Hyundai International will break ground for the construction of the largest integrated machinery manufacturing plant in Korea. It will cost over $300m. and come on stream by the end of 1978. The World Bank is providing $90-$100m. of financing, and the remainder is nearly arranged. The project will probably propel the Hyundai subsidiary, Hyundai International, into the top ten league of Korea's exporting companies.

Changwon complex

The new manufacturing venture at the Changwon machinery industrial complex near Pusan on the South Coast is small if set against the planned expenditure in the next five years of $6.5bn. for South Korea's heavy and chemical industries.

But Hyundai International's venture is a test-case for the the Government's heavy industry-intensive new development programme, and as such there will be keen interest in how readily, and on what terms, foreign bankers finance the project.

If Hyundai International becomes a major plant builder and exporter, its success will look different from that of its sister companies. Hyundai Construction is the cornerstone of the Hyundai empire, created in 1950, and it is on the strength of the company's construction earnings inside Korea that much of the rest of the empire has been built. It is safe to say, moreover, that future group expansion was given a boost by Hyundai Construction's 400 per cent. increase in export sales in 1976. And Korea's first billion-dollar overseas construction contract, awarded to Hyundai Construction last December by Saudi Arabia, will keep the group working at capacity.

The construction company's success tends to concentrate attention away from other areas in the group. Although Hyundai Shipbuilding, for instance, claims that its order books are full up into late 1978, actual ship orders are in short supply, and most of the scheduling is for marine terminals and underwater structures subcontracted from Hyundai Construction.

The other newcomer to the group, Hyundai Motor, also suffers from overcapacity. But the company should still show a profit of around $10m. for 1976 even before starting to export the prototype "Pony" passenger car.

Domestic success

Hyundai Motor first showed its prototype at the Turin Car Show in November 1974, and by March of last year it was on sale in Korea. By the year end, the "Pony" had become the biggest selling car on the home market and, as Mr. Turnbull puts it, "has been cleaning up the market" since autumn. In December, for instance, "Ponys" accounted for about 70 per cent. of all passenger cars sold in Korea.

Those "other priorities," in fact, are heavy machinery and chemical industries, and the Hyundai group will be leading the way with its Changwon plant. But the policy leaves Hyundai Motor with capacity to build 56,000 "ponys" a year but only operating at under half of capacity in 1977, and no real chance to "do a Japan" until the 1980s. And since next year Hyundai Motor must start paying back the approximately $65m. in foreign loans ($42m. from Britain) that went into building the new $100m. plant, the company may not prove all that profitable in the short run.

"One tanker sold would cover all our 'Pony' exports this year," says Mr. Turnbull in drawing attention to how small the motor company operation really is.

Mr. Chung In Yung seems very aware of the fact that, until 1980 anyway, Hyundai's supertanker yard will not get any new tanker orders.

Sabena co-operation plan urged

By David Buchan

BRUSSELS, Feb. 24.

THE BELGIAN Minister of Communications has reiterat[ed] his support for closer co-oper[a]tion between the country's lo[ss] making flag carrier, Sabena, a[nd] other European airlines.

M. Jos Chabert, in a speech [to] Parliament yesterday, did n[ot] refer specifically to the contr[o]versial report a year ago by t[he] American management consu[lt]ants, McKinsey, that Sabena['s] salvation lay in a merger wi[th] the Dutch KLM and Luxe[m]bourg's non-Iata carrier, Luxa[ir].

But his comments come on[ly] a few weeks before the Belgi[an] Government is due to deci[de] whether to accept or reject t[he] McKinsey conclusion.

M. Chabert hopes to ha[ve] final comments on the plan fro[m] Sabena itself and the airline unions within the next mon[th]. The Minister is known to favo[ur] a solution for Sabena along t[he] lines of the SAS arrangement [in] Scandinavia.

The full 1976 results have n[ot] yet been announced for the ... per cent. State-owned airline. But, provisional results show a[n] improvement on the 1975 defi[cit] (Bfrs.2.4bn. or £38m.) ... Bfrs.1.4bn. with revenue up ... per cent. to Bfrs.17.8bn. a[nd] costs up only 5.6 per cent. [to] B.frs.19.2bn.

M. Chabert has said he hop[es] the airline can break even [in] 1979, a date that he has al[so] termed as the last opportun[ity] for Parliament to decide o[n] Sabena's future. The airline['s] charter comes up for renewal [in] 1979.

Final operating results for la[st] year show an increase in carr[ying] traffic of 27.7 per cent., althoug[h] much of the increase is p[ut] down to a rise in "non-regul[ar] traffic." Passenger traff[ic] declined 3.4 per cent. overall

Kr54m. loan for Uddeholm

By William Dullforce

STOCKHOLM, Feb. 24.

THE SWEDISH Government announced to-day that it was making a Kr.54m. (£7.46m.) regional development loan to Uddeholm, the hard-pressed steel and forestry group.

Uddeholm reported on Tuesday that it would pay no shareholders' dividend on the 1976 account after it had become apparent that last year's loss would be bigger than the Kr.125m. anticipated in December.

The Government loan is intended to save the jobs of some 1,000 workers at the company's Storfors plant and to limit the reduction at the Degerfors steel works to 500 jobs over the next four years.

Uddeholm will get Kr.33m. to help convert the Storfors works to the production of heavy, welded steel pipes for the petrochemical industry. Capacity will be 8,000 tonnes a year and the total cost of the conversion is expected to be about Kr.50m.

Esselte moves

By Our Own Correspondent

STOCKHOLM, Feb. 24.

ESSELTE, the Swedish office equipment, packaging and printing concern, is changing its share structure in order to open the way for an introduction to foreign stock exchanges. Over the last three years Esselte has expanded its international business very swiftly, acquiring a dozen foreign companies, including the American Oxford Pendaflex and the British Benson International Systems and Pembroke Packaging.

Floating rates experiments 'ill-fated'

BY TONY HAWKINS

FREELY FLOATING exchange rates have failed, tending to exacerbate rather than harmonise international inflation rates and retarding rather than accelerating the balance of payments adjustment process, according to Dr. Charles Coombs, director and consultant of the First Chicago International Banking Corporation.

Speaking on the second day of the Financial Times London conference on the Future for the Euromarkets, Dr. Coombs said that since 1971 there had been a number of "ill fated" experiments with free floating rates—in each case proving so damaging that Governments and Central Banks were forced to cut short the experiment by resuming intervention. The main contribution of the present system of *managed*—as distinct from freely floating rates—was that Central Bank intervention had provided "a sort of gyroscope function in steering the world economy through some unusually stormy seas."

Intervention

In a little over 3½ years exchange market intervention by the Group of Ten Central Banks had amounted to some $150bn. and official intervention under the floating rate system had far exceeded that under fixed rates, even including the troubled 1960s.

Dr. Coombs acknowledged that such Central Bank intervention had not always been successful. On several occasions, Central Banks confronted with a speculative attack on their currencies had been "trapped" into defending a currency rate level that quite soon proved untenable. Until corrective domestic policies were applied the Central Bank entrusted with market intervention faced a "no win" situation—a choice between wasting its exchange reserves or accepting more inflation via exchange rate depreciation.

Dr. Coombs emphasised that in the absence of appropriate domestic policy—no international financial system would work. Neither appropriate domestic policies nor central bank intervention is a *sufficient* condition for exchange market stability but both are *necessary* conditions. Dr. Coombs told the conference that Bank of England intervention to keep sterling from rising sharply above the $1.70 level during the past two months seemed to have been "just the right policy."

If the few remaining examples of double-digit inflation were brought under control, a fairly stable system of managed floating rates along the lines of the Japanese or Canadian models might emerge. This might provide the best of both worlds — a high degree of exchange rate stability in the short run coupled with adequate flexibility over the long run. Under this system Governments could not avoid assuming responsibility for deciding — in consultation with their trading partners — what is a reasonably fair and equitable pattern of exchange rates.

Dr. Coombs suggested that Governments and Central Banks should move towards "informal agreements" on target exchange rates acceptable to both trading partners, though these should not be allowed to freeze into rigid de facto parities.

On the U.S. dollar, Dr. Coombs said that the external value of the U.S. unit was being determined by the day-to-day decisions of foreign central banks whether to buy or sell dollars. In his view it made little sense for the U.S. to delegate the entire management responsibility to its foreign trading partners. The machinery already existed for co-ordinated Federal Reserve/foreign central bank operations in the exchange markets. All that was needed was to set it in motion.

Mr. Adolf Brandle, senior vice president of the Union Bank of Switzerland, told delegates that out of new medium-term Eurocredits of some $80bn. granted during the past three years, about one-third had gone to non-oil developing countries. The banking system of the Western world would undoubtedly continue to finance developing countries, with project-related credits, in particular playing an ever larger role. But it was necessary to supplement the medium term credits of the private banks on the Euromarket granted to less developed countries with development aid from the supranational institutions.

"It would be desirable, in fact, for the share of these institutions to increase in future," said Mr. Brandle. Discussing the outlook for medium term credits, Mr. Brandle said he did not regard the country risk of East Block (Comecon) nations as being "excessively high." In part this opinion was based on the view that in the event of payment difficulties being experienced by a particular country in this group, the partner countries would most likely be asked to "square the account."

Mr. Brandle commented on the shift in investment policy by the OPEC states in recent years, highlighting two characteristics. There had been a definite shift out of Euromarket investment and into securities purchased chiefly on the U.S. market. Secondly, there had also been a striking change in investment carriers—with multinational financing institutions and private organisations now responsible for a much greater share than in 1974 when investments were almost exclusively carried out by Governments and Central Banks.

Inflation

In the Euromarket, the pyramid of bank loans was supported by three pillars—the Group of Ten, the Middle East and the international institutions—which accounted for a combined net position of $88bn. in mid-1976. Mr. Brandle said that the Bank for International Settlements planned to improve these statistics by collecting a complete schedule of the entire Eurocredit volume granted by all of the banks, thereby painting a complete picture of the foreign debts incurred by as large a number of countries as possible.

A warning that renewed fears of inflation might well have serious repercussions on the investors' attitudes in the Eurobond market was given by Mr. Michael von Brentano, manager of Deutsche Bank. Should inflationary fears become more prevalent, it must be expected that investors would again seek shorter maturity paper, he said. In addition, there would be a strong trend towards rising interest rates and, thirdly, under increased inflation the supply of capital would shrink. Such developments — were they to occur — would be deplorable, said Mr. von Brentano because demand for financing in the market would remain strong.

He expected that corporate borrowers would make greater use of the market in 1977 than in the past two years if the economic upswing continued to progress.

Outlook

But in his paper on the Outlook for the Eurobond Market, Mr. von Brentano, said such corporate borrowers would only be interested in resorting to more fixed rate long term financing if the cost of such borrowing stayed within "supportable limits."

If inflation could again be contained and reduced in 1977, said Mr. von Brentano then there would again be a substantial supply of capital for long term investment in the Eurobond market. If all went well, he predicted that the volume of new issues this year would at least achieve its 1976 levels.

Although the new year had started well in the bond market, by mid-January demand for new Eurobond issues visibly declined, the interest rate trend became volatile and secondary market prices fell considerably. These developments originated in the New York bond market and coincided with the debate about economic policy measures which might be taken by Western countries, and, in particular, the U.S.

Mr. von Brentano told the conference that a high priority should be given to the task of ensuring Eurobond market access to issues from countries which have not tapped this market hitherto. New names from Latin America and from certain Pacific Basin countries might well be qualified.

On the future of floating rate note issues, Mr. S. M. Yassukovitch, managing director of the European Banking Company, said that their greatest future lay in increased utilisation by the international commercial banking community. A major shift in the lending resources of the U.S. banks from Eurocurrency lending to domestic lending could have important consequences for the fundamental liquidity of the Euromarket, possibly leading to a multi-tier interbank market. A serious default by a substantial borrower in the Euromarket or a change in OPEC surplus recycling habits could have similar effects. The continued activity of major banks in Euro-lending might then be influenced by their ability to diversify their funding sources and demonstrate flexibility and diversification in liability management.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan 9¼pc 1985	104½	105½
Australia 8½pc 1991	100¾	101½
Bowater 9½pc 1985	102½	103¼
Can. N. Rwy 8½pc 1985	100½	101
Credit National 8½pc 1986	98½	99
Denmark 8¼pc 1984	100	100¾
ECS 9½pc 1993	103	103¾
EIB 8½pc 1988	100½	101¼
Erap 9¾pc 1985	103	103¾
Esso 8pc 1986 Nov.	102	102¾
Eurofima 8½pc 1993	102½	103¼
Granges 9½pc 1985	101¼	102
Gt. Lakes Paper 8¾pc 1984	98½	99½
Hamersley 9½pc 1992	101¼	102
ICI 8½pc 1987	97	97½
ISE Canada 9½pc 1988	103½	104¼
Macmillan Bloedel 9pc 1992	98½	99
Massey Ferguson 9½pc 1991	103½	104
Michelin 9½pc 1988	102¼	103
Midland Int. Fin. 8½pc '86	99½	100½
Modo 9pc 1986	99	99½
Nat. Westminster 9pc 1986	101½	102¼
Newfoundland 9pc 1989	100½	101¼
Norges Komm. Bank 8½pc 1991	98½	99
Norpipe 8½pc 1986	103	103½
Norsk Hydro 9pc 1991	102½	103¼
Norsk Hydro 8½pc 1992	98	98½
Oslo 9pc 1988	101½	102¼
Ports Autonomes 9pc 1991	99½	100
Prov. Quebec 9pc 1994	100	100½
Quebec Hydro 9½pc 1986	98	98½
Prov. Saskatch. 8½pc 1986	102	102¾
Skandin. Enskilda 9pc 1991	100¾	101½
SKF 8pc 1987	99½	100
Volvo 9½pc 1983	102¾	103½
Volvo 8pc 1987	97½	98½
NOTES		
Australia 7½pc 1984	102	102¾
Australia 8½pc 1986	101¾	102½
Dow Chemical 8pc 1986	101½	102½
ECS 7¾pc 1982	97½	98
EEG 8½pc 1982	101½	102
Enso Gutzeit 8½pc 1984	97½	98½
Gotaverken 9pc 1982	101	101½
Hitachi Shipbldng 7½pc '84	97½	98½
Kockums 9pc 1983	99½	100½
Michelin 8½pc 1983	101½	102½
Montreal Urban 8½pc 1987	100	100½
Nat Coal Board 8½pc 1981	101	101½
New Bruns. Prov. 8½pc 1983	102½	103½
New Zealand 8½pc 1986	100	100½
Nippon Fudosan 8pc 1981	100	100½
S. of Scot. Elec. 8½pc 1981	99½	100
Swedish State Co. 7½pc '82	99½	100½
Venezuela 8pc 1984	99	99½
FLOATING RATE NOTES		
BCO Brasil 6½pc min. 1982	97½	98½
BNP 8pc min. 1983	98½	99
BNP 7pc min. 1983	100½	101½
IBJ 6pc min. 1982	99	99½
Lloyds 7pc min. 1983	101	101½

	Bid	Offer
LTCB of Japan 8½pc min. 1981	99½	100½
Mid and 7½pc min 1981	101½	102
Wms and Glyns 6½pc min. 1984	100½	100½
D. MARK BONDS		
Austria 7pc 1987	100½	101
Beecham 9pc 1983	101½	101½
Bergen 7½pc 1988	98½	99½
BFCE 7pc 1987	98	98½
EIB 6½pc 1984	99	99½
ICI 7½pc 1986	101	101½
New Zealand 7½pc 1986	103½	104½
Norway 6½pc 1982	100½	101½
Shell 6½pc 1989	99½	100
World Bank 7pc 1987	97½	98½
Source: White Weld Securities		
CONVERTIBLES		
American Express 4¼pc '87	92	94
Ashland 5pc 1988	94	96
Beatrice Foods 4½pc 1992	95	94
Beatrice Foods 6¾pc 1992	109½	110½
Borden 5pc 1992	99	101
Broadway Hale 4½pc 1987	78	80
Canon Camera 7½pc 1989	209	—
Carnation 4pc 1987	83½	85½
Chevron 5pc 1988	127	129
Dart 4½pc 1987	82	84
Eastman Kodak 4½pc 1988	99	101
Economic Labs. 4½pc 1987	78½	80½
Fed. Dept. Stores 4½pc '85	101½	103½
Firestone 5pc 1988	87½	89½
Ford 5pc 1988	99½	101½
Ford 5pc 1988	90	92
General Electric 4¼pc 1987	94	96
Gillette 4½pc 1987	77	79
Gould 5pc 1987	114½	116½
Gulf and Western 5pc 1988	56	58
Harris 5pc 1992	105	107
Honeywell 6pc 1986	96	98
ITT 4½pc 1987	82	84
Komatsu 7½pc 1990	106	107½
J. Ray McDermott 4½pc '87	139	141
Mitsubishi Elec. 7½pc 1991	114	115½
Mitsui 7½pc 1990	107	108½
J. P. Morgan 4½pc 1987	102½	104½
Nabisco 5½pc 1985	96½	98½
Owens Illinois 4½pc 1987	117	119
J. C. Penney 4½pc 1987	79½	81½
Pioneer 6½pc 1989	270	—
Raymond 8½pc 1993	114	116
Revlon 4½pc 1987	104	106
Reynolds Metals 5pc 1988	91½	93½
Sperry Rand 4½pc 1987	91	93
Squibb 4½pc 1987	80	82
Texaco 4½pc 1988	80	82
Toshiba 6½pc 1988	106½	108
Union Carbide 4½pc 1982	105	107
Warner Lambert 4½pc 1987	87	89
Warner Lambert 4½pc 1988	79	81
Xerox 5pc 1988	79½	81½
Source: Kidder, Peabody Securities.		

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Sharp decline in Akzo losses to Fls.155m.

BY MICHAEL VAN OS — AMSTERDAM, Feb. 24.

AKZO, the Dutch-based chemicals company, slashed its losses to Fls.155m. in 1976 from Fls.440m. the year before. If extraordinary items are excluded, Akzo has managed to break even in 1976. But the board proposes to pass 1976 dividend, having already omitted an interim payout.

The company reports a very disappointing development in chemical fibre sales in the final quarter of last year and gives no indication as to whether the situation has improved since. ... in the two other main areas of activity improved in ...

Today's provisional statement by the company in Arnhem ... Akzo said, was caused by the fact that the figure for extraordinary losses (Fls.157m. against Fls.247m.) includes a Fls.47m. provision to cover the costs of closing down production facilities as well as the social costs generated by rationalisation in the man-made fibre sector. It also includes an extra provision of Fls.75m. to cover the cost of future additional write-downs and related costs in that sector. No taxes have been deducted from those provisions. In the annual accounts, the loss incurred as a result of extraordinary items will be charged against reserves.

The Akzo statement also shows that the company managed to push up sales by 10 per cent. in the last year to Fls.10.66bn. (Fls.9.72bn.). This reflected a sales increase of only 3 per cent. for man-made fibres. But chemical products were well up by 18 per cent., while sales in the third main area, pharmaceuticals, consumer products and miscellaneous products, rose by 10 per cent.

The company comments that although final quarter total sales were up on the preceding quarter, they failed to reach the level of the first two quarters of the year. Furthermore, they were 2 per cent. lower than the final 1975 quarter. This, Akzo said, was caused by the disappointing level of man-made fibre sales, 12 per cent. below those recorded for the fourth quarter of 1975.

Broken down, Akzo's chemical fibre sales rose to Fls.3.82bn. in 1976 from Fls.3.71bn. the previous year, of which the final quarter accounted for Fls.0.92bn. (Fls.05bn.). Chemical products sales rose to Fls.3.94bn. (Fls.1.05bn.). Chemical products pharmaceuticals, consumer products and miscellaneous products sales went up to Fls.3.3bn. (Fls.2.92bn.).

The company commented that the continued unfavourable development of business for chemical fibres, both in the Common Market and in the U.S., caused the 1976 net result before extraordinary items to be barely positive.

"Although this was a disappointment, it constitutes a significant improvement over 1975 when a net loss before extraordinary items of Fls.193m. was incurred," Akzo pointed out. The company also states that in 1976, the possibilities of deducting taxes from the losses suffered in Holland and West Germany were "much more limited" than in the preceding year.

As a result of the fairly massive reorganisation, particularly in the company's troubled man-made fibres sector in Europe, total staff has fallen drastically in the past year. At end 1975, the number of employees were still 98,200 but has fallen to 90,900 a year later. The work-force in the U.S. decreased by 3,300, while the de-consolidation of the Fabelta company in Belgium caused a decline of another 2,300 in overall staff in the past year.

Akzo's provisional financial statement shows that the net profit before extraordinary items was Fls.2m. in the past year, which compares with a Fls.193m. loss the year before.

AMERICAN COMPANIES

Cris-Craft damages overturned by Supreme Court

BY JAY PALMER — NEW YORK, Feb. 24.

THE U.S. Supreme Court, in a key decision with considerable implications for Wall Street's investment banks, has overturned the largest-ever damages awarded under the American securities' laws.

In a majority decision, the court yesterday effectively cancelled the $36m. damages that Cris-Craft Industries had won in a lower court against Bangor Punta, investment bankers First Boston and other individuals.

Cris-Craft, a maker of pleasure boats, had originally been awarded the damages after a lower court ruled that it had been cheated in its original 1968 tender offer fight with Bangor Punta for control of Piper Aircraft, one of the largest general aviation plane-makers in the U.S.

The damages were awarded against Bangor Punta, the diversified conglomerate which eventually won control of Piper, and First Boston, Bangor's investment advisors.

This ruling comes as a great relief both to First Boston itself and also to the securities industry as a whole. Damages of *this type together* with court precedents that investment advisers are liable, might, it is thought, effectively work to dis*courage firms from acting* as advisers in competitive bids.

The Supreme Court, in its decision, specifically stopped short of stating any ruling on whether or not Bangor and First Boston had, in fact, as decided by the lower court, violated securities laws. However, it did note that these laws were designed to protect shareholders in take-over battles rather than bidding companies and that consequently damages could not be awarded.

the Commission said that AT and T's system was "excellent in terms of providing high-quality nationwide telecommunications service at a reasonable cost to the public," and suggested that that its charges are just and reasonable.

The Commission also suggested that it did not find any substantial support for a finding that AT and T's manufacturing arm had engaged in predatory conduct which would support a case for forcing the divestiture of the Western Electric manufacturing subsidiary. It is seeking changes in management to make it easier for AT and T's telephone subsidiaries to buy equipment from other sources than the subsidiary.

The Commission issued this statement even though it conceded that the investigation had not addressed this question directly and that its intention is to leave the issue to Congress and the courts.

In the courts, the U.S. Justice Department has a long-running anti-trust suit costing millions of dollars against AT and T, one *of the objectives of which is to* force the divestiture of Western Electric. The company is trying to fight this case not only in *the courts but also by trying* to get legislation favourable to it through Congress.

Results improve at Svenska Flakt

By John Walker — STOCKHOLM, Feb. 24.

SVENSKA FLAKT, the Swedish industrial ventilation and pollution control group, states in the preliminary report for 1976 that the pre-tax profit amounted to Kr.137.2m. compared with Kr.129.2m. for the previous year.

This is a considerable improvement on the half-year report published last September when the pre-tax profit was expected to be down to between Kr.100m. to Kr.110m. for the year. The increase over the forecast is due mainly, the report states, to the continued restructuring of the company's divisions and better cost control.

Group sales amounted to Kr.2.24bn. compared with Kr.2.20bn. in 1975. The order inflow amounted to Kr.2.43bn. compared with Kr.2.31bn. for 1975. Orders from customers outside Sweden amounted to Kr.1.73bn., marginally down from Kr.1.79bn. in the previous year. At the end of the year the order stock rose to Kr.2.73bn. compared with Kr.2.28bn. in the previous year.

Nippon Tel. terms fixed

By Pauline Clark

TERMS of the latest Nippon Telegraph and Telephone Japanese Government guaranteed issue on the U.S. domestic *bond market* were confirmed by lead manager, Dillon, Read and Co., yesterday as comprising a 7¾ per cent. coupon on *the five year $100m.* tranche and an 8½ per cent. coupon on the second $50m. ten year tranche.

Goodyear plant could cost $180m.

GOODYEAR Tire and Rubber is to spend $80m. to build a new radial tyre plant in Lawton, Oklahoma reports Stewart Fleming in New York. It said its investment in the plant could rise to $150-$180m. over the next two years, making the plant the largest and most costly in its history.

Construction of the 1.2m. square foot plant will begin in March and production is planned to begin in the summer of 1978. The company said that the plant will employ some 1.400 people and use advanced production equipment and computerised gear.

The announcement is a significant development for the tyre *industry where competition* is intensifying, particularly in the radial market as Michelin the French company, rapidly expands its production facilities in South Carolina. One of the attractions for locating plants in these areas has been rapid economic growth and another the absence of unionised labour, which, tyre industry executives suggest, has helped Michelin's competitive position

Earnings fall at Mannesmann

BY GUY HAWTIN — FRANKFURT, Feb. 24.

MANNESMANN TO-DAY announced a decline in earnings following last year's steep drop in sales. Group turnover in 1976 fell back 10 per cent. from DM13.09bn. to DM11.77bn. (£2.89bn.).

Shareholders in the group, which specialises in pipe and tube manufacture as well as plant construction, can draw some comfort from the management's contention that a preliminary examination of the accounts indicates that profits are generally satisfactory in view of the decline in turnover.

It was also reported that there had been a slight improvement in demand during the final quarter of the year. However it did not come in time to prevent a 16 per cent. decline in exports which dropped from 1975's DM6.57bn. to DM5.5bn. At the same time exports as a proportion of total sales went down from 59 per cent. to 55 per cent.

The fall off in business was equally severe in the group's domestic and overseas operations. Sales by the group's West German-based operations went down by 10 per cent. from DM11.1bn. to DM9.92bn. The overseas subsidiaries registered an 11.5 per cent. drop in turnover from DM2.93bn. to DM2.64bn.

According to the report, there was a considerable variation in the inflow of orders during the year. After the summer shutdown there had been a slight improvement in the utilisation of capacity at the West German pipe works, but in the short-term no marked improvement was likely.

The inflow of orders in the fourth quarter was higher than in the preceding quarter owing to the conclusion of a large export contract. However, the order book at the end of the year was lower than at the same point in 1975.

Pipe production during the year fell back by 13 per cent., from 3.41m. tonnes to 2.98m. tonnes, and crude steel output dropped by 12 per cent. from 4.6m. tonnes to 4.05m. tonnes.

In the mechanical engineering and plant construction sector, the final three months saw an increase in orders. The improvement came mainly from domestic customers, as well as individual foreign markets. In the plant construction sector overseas demand dropped further.

Pfaff earnings improve as turnover moves up

BY GUY HAWTIN — FRANKFURT, Feb. 24.

G. M. PFAFF, the West German machinery manufacturers, to-day *reported that 1976 had been* marked by a distinct improvement in business. Group turnover world-wide rose by 18 per cent. *from 1975's.* DM451m. to DM533m. (£130.6m.).

As a result of the increase in sales and the success of cost savings measures, earnings showed a marked improvement, said the group. *Leading the growth was* the industrial machinery sector where turnover rose by 25 per cent from DM205m. to DM313m., *while sales in the domestic house*hold equipment sector rose by 6.4 per cent. from DM173 to DM184m.

BA sees profit rise by 57%

THE COMMERCIAL Bank of ...ralia has declared ...dited net profits for the ... months to December 31, ... of $A10.73m. (£6.9m.). ...represents an increase of ...er cent. against the comparable period in the previous ... when profits were ...m.

...erim turnover reached ...m. ($78.3m.), or 24 per ... up on the previous year's ...m.

...interim dividend of 8c ...e on March 25, has been ..., and the payout has ...aised by 1c on last year.

...chairman stated that all ... areas of the group had ...buted to the improved ...mance. The divisional ...down, which accompanied ... results, showed an im...ment in banking operations profits to $A4.5m. (...7m.) while on the non-...ing side, profits on ...al credits improved by ... over $A2m. to $A5.7m.

EUROBONDS

Mexican state agency to borrow DM100m.

BY TONY HAWKINS

A DM100M. Eurobond issue for the Mexican state agency, Nacional Financiera with Dresdner Bank as lead manager is expected to be announced this week-end. At the same time, it is understood that the DM200m. issue planned for a corporate borrower, lead managed by Deutsche Bank, has been postponed and may possibly come to the market during March. However, Deutsche Bank is understood to be working on a dollar issue for Broken Hill Props, which is expected to come to the market next week.

Prices were again little changed in quiet trading in the dollar sector of the market yesterday. Dealers said that the mood in the market could be likened to that in New York, with investors awaiting developments and reluctant to commit themselves at the moment.

Turnover remained at low levels but some dealers said they had seen some significant Middle East selling of Eurobond paper, possibly so that Arab investment houses could switch into the gold market which was very strong yesterday.

Despite the renewed weakness *of the Canadian dollar yesterday,* there was no rush to sell Canadian dollar issues which traded quietly and were mostly unchanged. The recent Canadian National Railway issue continued to improve trading yesterday at 97½/98 with dealers again saying that there was little paper on offer.

Bondtrade Index	Thurs.	Wednes.
Medium	102.41	102.40
Long	94.30	94.82
Convertible	108.09	108.56

Chemical Bank faces indictment

CHECICAL BANK was indicted by a Federal Grand Jury accused of failing to report more than 500 cash transactions worth more than $8.5m., reports AP-DJ from New York.

The Bank was said to be in violation of a law that was written to combat tax evasion and narcotics deals.

The same Grand Jury also filed separate *indictments* against three former officers of the Bank and another individual, a fugitive who faces New York State *narcotics* charges.

A spokesman for Chemical Bank said the Grand Jury indictment involves individuals "who were terminated from Chemical's employment in 1975."

He said the Bank will plead not guilty to the charges against it and expects "the facts will soon show that there was no intention on the part of responsible personnel" to evade compliance.

Favourable report on AT and T

IN A FINDING which may have an important bearing on the U.S. Government's anti-trust case against American Telephone and Telegraph, the Federal Communications Commission has concluded that the giant utility company's long-distance telephone rates are generally reasonable, reports Stewart Fleming from New York.

The Commission's action *brings to concusion its investi*gation of the company's long-distance telephone lines which began in 1971. While the trend in Government circles has been to attack the telephone company which has a virtual monopoly of the U.S. telephone system, the FCC, in its recent findings, has been more accommodating.

In a statement on its findings,

Union Bank plans to raise capital

By John Wicks — ZURICH, Feb. 24.

SHARE CAPITAL of Union Bank of Switzerland, Zurich, is to be increased by Sw.Frs.100m. to Sw.Frs.1.05bn., subject to approval from the March 31 annual general meeting and the Swiss issues commission. This is intended to provide additional long-term resources for financing "at favourable terms" the growing dollar engagements arising from international loan and capital-market operations, as well as to strengthen capital funds.

Within the new capital augmentation — last year UBS had increased capital stock from Sw.Frs.720m. to the present level of Sw.Frs.950m. — a first tranche of 100,000 bearer shares of Sw. Frs.500 nominal value will be issued at par, subscription rights being waived, in connection with the placement via Luxembourg of a ten-year Convertible Eurobond loan of $125m.-130m.

Boeing expects sales to rise

Boeing said that 1977 sales should be somewhat above last year's $3.92bn. based on current programme and schedules, reports Reuter from Seattle.

Boeing attributed earlier-announced improved results in 1976 partly to higher than anticipated orders for standard body jet transports and lower interest and debt expense.

Boeing said it expects to deliver 141 aircraft this year compared with 139 last year and 171 in 1975.

Shipping merger approved

BY ROBERT MAUTHNER — PARIS, Feb. 25.

THE MERGER of two of France's largest shipping companies, the Compagnie Generale Maritime (ex-Compagnie Generale Trans-Atlantique) and Compagnie des Messageries Maritimes, has been approved by an *extra-ordinary general meeting* of their shareholders. It was decided that the merger should come into effect retroactively on *January 1, 1977.*

The terms of the merger provide for the taking over of CMM by CGM and the simultaneous *making over of part of the new* company's assets to a holding company to be called Societe Financiere et Maritime de Participation (SFMP). CMM shareholders will be able to exchange five of their shares for two new CGM shares and, at the same time, one new SFMP share will be distributed to all old and new shareholders in exchange for one CGM share.

The participants at the meeting were told that SFMP would probably be able to pay a dividend of Frs.3 per share as early as this year, *something that* the old companies have been unable to do on their own for many years.

The assets to be made over by CGM to SFMP, which embrace the former's non-shipping activities and include the portfolio holdings of the merged company in other groups, are valued at Frs 76.75m. (about £9m.), representing 689,827 shares in the new holding company.

The State will have a 70 per cent stake in the merged group as well as the holding company, while the remaining 30 per cent. in each will be held by private shareholders.

● **Credit Commercial**, one of France's biggest private banks, has announced net profits of Frs.68.1m. (about £8m.) for 1976, Frs.4.8m. down on 1975 but nearly double the 1974 figure.

The board will propose to the next annual meeting, due to be held on April 27, that the dividend should be increased to Frs.7.40 plus a Frs.3.70 "avoir fiscal" tax credit, from Frs.7 plus an "avoir fiscal" of Frs.3.50 per share.

The bank's balance sheet on *December 31, 1976 totalled* Frs.26.5bn. compared with Frs.22.6bn. the previous year and deposits by clients were up by 14.5 per cent. to Frs.12.6bn.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Broadly lower on late selling

BY OUR WALL STREET CORRESPONDENT

BROADLY LOWER levels developed on Wall Street to-day, following late selling on persistent wories over the business outlook.

The Dow Jones Industrial Average furter declined 5.65 to 932.60 and the NYSE All Common Index lost another 33 cents to $54.17, while declines outpaced gains by more than a two-to-one majority. Trading volume expanded 1.49m. shares to 19.73m.

Analysts have been citing for several sessions a spreading concern about inflation, while investors fear that the U.S. Congress will step up the Carter Administration's economic stimulation plant to make it highly inflationary. The severe winter weather in the U.S. has already contributed to inflationary forces.

The Stock Market decline also reflected disappointment that U.S. car sales slowed in mid-February, causing some analysts to cut back their forecasts for new car sales for the full month of February.

Late in the session, the U.S. Government reported that Retail Sales gained by 2.8 per cent. last week.

Allied Chemical shed $⅜ to $44⅜—it expects adverse first quarter earnings.

Esmark eased $¼ to $41⅞ on bearish talk—it also reported lower first quarter earnings.

Pepsico lost $1 to $71⅞, despite higher first quarter earnings, a proposed three-for-one stock split plus a raised quarterly dividend on pre-split shares.

Some Oils declined. Phillips Petroleum were down $1 to $56⅞, Atlantic Richfield $⅞ to $54¼, Mesa Petroleum $1⅛ to $33⅜ and Natomas $2 to $38⅞.

National Semiconductor further declined $⅞ to $16⅞—analysts continue to mark down their estimates of earnings.

Chesebrough-Pond's rose $⅜ to $23⅛—it expects 1977 net to top 1976's record $1.69 a share.

Ban-Cal Tri-State were off $⅞ at $20⅛—it opposes the $130m. tender offer made by Standard Chartered Bank of London.

The American SE Market Value Index lost 0.69 to 111.15 and declining issues exceeded advances by 436-to-202.

THURDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Fed. Nat. Mort.	292,600	16⅝	—
Amer. Tel. and Tel.	206,300	62⅞	+⅛
Sony	200,200	9⅛	−⅛
Amer. Airlines	105,700	10⅞	−¼
Xerox	163,790	49⅞	−1⅞
Howard Johnson	161,600	10	−⅛
Nat. Semiconductor	138,700	16⅞	−⅞
Inexo Oil	151,200	29⅛	+⅛
Fleetwood Ent.	145,600	13⅞	−⅛
Texaco	141,200	27⅝	−⅛

OTHER MARKETS

Canada mixed

Canadian stock markets were mixed in moderate trading yesterday. The Gold Share Index further advanced 17.3 to 1,080.5.

In a broadly lower Oil sector, Bow Valley lost $⅜ at $20⅞, Imperial Oil $⅜ at $22⅞, Husky Oil $½ at $23 and Ocelot $⅛ at $8½. But Dome Petroleum gained $⅜ at $40.

Imasco rose $⅜ to $25⅞—its Imperial Tobacco Unit raised wholesale cigarette prices.

PARIS—Most sectors weakened, but Motors, Foods and Printings showed resistance.

State aid announced by the Government for the Steel Industry helped Metal shares, with Sacilor and Usnor rising 4 and 6 per cent. respectively.

Among Foreign issues, Americans and Coppers were irregular, while Germans fell. International Oils were resistant, while Golds firmed.

BRUSSELS—Mostly higher after moderately active trading.

Non-Ferrous Metals gained a little ground, Electricals and Utilities finished little changed, Chemicals were mixed, Oils improved, Holdings were higher, while Steels were mostly lower.

U.S. stocks moved modestly up, South African Gold Mines were firm, Dutch and French stocks tended lower, while Germans were basically steady.

AMSTERDAM—Generally higher in active trading.

AKZO rose Fls.0.4 to 32.30 on its 1976 results.

Banks and Transportations were mostly weak, but KLM rose Fls.1.50. Insurances gained moderately.

In Dutch Industrials Ahold Supermarkets were up Fls.1.20, Van Berkel Fls.2.50, Gist Brocades Fls.2.40, IHC Holland Fls.1.30, and VMF-Stock Fls.2.10.

Most Publishing Houses gained ground on VNU's announcement about 24 per cent. higher net earnings for 1976.

Bonds were steady.

SPAIN — Selective buying, notably among the Construction sector with Telefonica up 4 at 122.

But Banks showed some falls.

Seat were weak at 105. after last week's rumours of uranium interests.

GERMANY—Most shares were barely changed, with an opening rally fading on lack of follow-up orders and Foreign selling.

Siemens lost DM1.40 and Schering DM3. Man gained DM2.50.

Public Authority Bonds were narrowly mixed. The Regulating Authorities sold DM18.2m. of stock to the market. Mark Foreign Loans were still well maintained.

SWITZERLAND — Slightly higher on selective demand. Export Oriented stocks drew good buying support from the sustained firmness of the dollar.

Leading Banks generally posted moderate gains.

Higher spots in Industrials included George Fischer as well as Bearer shares of Nestle and Brown Boveri.

Dollar stocks were narrowly mixed, while Dutch Internationals and Germans were very steady.

COPENHAGEN—Higher in fair dealings.

OSLO—Bankings, Insurances and Shippings were slightly easier.

NEW YORK, Feb. 24.

MILAN—Generally lower in moderate trading.

Pirelli Spa shed a further L16 to L1,077 ahead of the meeting to approve a capital increase.

Bonds recorded modest gains in quiet trading.

VIENNA—Narrowly mixed in generally quiet dealings.

HONG KONG—Market eased further on lack of support and some overseas and margin selling.

Swire Pacific fell 25 cents to $HK8.65, Hong Kong Land 15 cents to $HK7.25, Jardine Matheson 10 cents to $HK17.20, and Hutchison 2½ cents to $HK3.275.

TOKYO—Slightly higher, led by Blue Chips, after an initial rally was curbed by late profit-taking. Volume 230m. (200m.) shares.

Export-Oriented shares firmed, reflecting the calmness of the Tokyo Foreign Exchange market. The market was also encouraged by the fourth consecutive weekly decline in the outstanding balance of buying in Margin Trading.

Honda Motor led the initial upswing on reports its Civic CVCC car ranked first in mileage tests conducted by the U.S. Environmental Protection Agency, and that Ford Motor plans to manufacture its CVCC engines.

JOHANNESBURG—Gold shares firmed in fairly active trade, following higher European bullion indications and London interest.

Mining Financials followed Producers.

Tins were steady.

Industrials also were steady, with a shortage of "good quality" scrip.

AUSTRALIA—Mixed trend, with Mines strong on higher overseas Metal prices.

Woolworths jumped 9 cents to $A1.20 on record 1976 profit, a higher dividend plus a higher return on each dollar of sales.

Borg-Warner were lifted 23 cents to $A1.83 also on record earnings.

CSR shed 8 cents to $A3.22 on the sharp fall in the price of sugar in London.

Indices

NEW YORK —DOW JONES

	Feb. 24	Feb. 23	Feb. 22	Feb. 18	Feb. 17	Feb. 16	1976/77 High	1976/77 Low	Since compilation High	Since compilation Low
Industrial	932.60	938.25	939.91	940.24	945.73	948.50	1014.79	858.71	1051.70	41.22

N.Y.S.E. ALL COMMON

Feb. 24	Feb. 23	Feb. 22	Feb. 18	1976/77 High	1976/77 Low
54.17	54.50	54.66	54.68	57.88 (31/12)	57.86 (2/1/76)

Rises and Falls	Feb. 24
Issues Traded—1,881	Up—442
Down—1,003	Same—436
New Highs—23	New Lows—24

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated
♥ Ptas.500 denom. unless otherwise stated
♣ Kr.100 denom. unless otherwise stated
⊕ Frs.500 denom. unless otherwise stated.
¶ Yen 50 denom. unless otherwise stated
$ Price at time of suspension. a Florins. b Shillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross

OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

$ improves

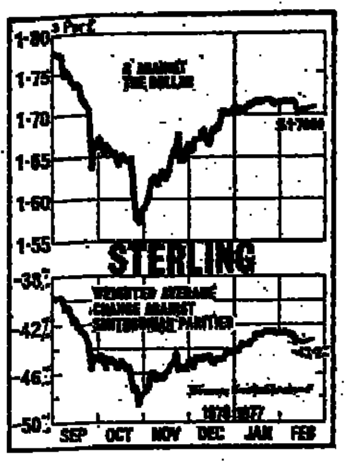
The U.S. dollar gained ground in the foreign exchange market yesterday at the expense of the Swiss franc which tended to be very weak. Sterling was slightly firmer against major currencies in general, but traded within a very narrow range in terms of the dollar.

The U.S. unit's trade-weighted average depreciation since the Washington Currency Agreement of December, 1971, as calculated by the Morgan Guaranty of New York, narrowed to 0.61 per cent. from 0.93 per cent. The Swiss franc finished at Sw.Frs.2.5450 against the dollar, compared with Sw.Frs.2.5295 previously. It moved with a rather wide range of Sw.Frs.2.5350 to Sw.Frs.2.5520, and tended to pull down some other European currencies. The German mark closed at DM2.4035 in terms of the dollar, compared with DM2.3955 on Wednesday.

The Canadian dollar remained weak, closing at 96.16½ U.S. cents against 96.85½ previously.

Sterling opened at $1.7075-1.7080, and touched a low point of $1.7070-1.7075. The best level recorded was $1.7080-1.7090, and the pound finished unchanged on the day at $1.7075-1.7085. Its trade-weighted average depreciation since the Washington Agreement, as calculated by the Bank of England, narrowed to 43.2 per cent. from 43.3 per cent., after standing at 43.1 per cent. at noon and in early dealings.

Gold rose $½ to $139¾-140¼, but finished slightly below the afternoon fixing level in London following some selling from New York. The krugerrand's premium over its gold content widened to 2.94 per cent. from 2.77 per cent. for domestic delivery, and 3.66 per cent. from 2.77 per cent in the international market.



SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	Feb. 24	Feb. 23
Sterling	0.676172	0.676548
U.S. dollar	1.15497	1.15622
Belgian franc	42.6097	42.5865
Deutschemark	2.77805	2.78285
French franc	5.76157	5.76578
Italian lira	1019.75	1020.74
Japanese yen	327.203	327.557
Dutch guilder	2.89840	2.89653
Swedish krona	4.90805	4.89197
Swiss franc	2.94344	2.92562

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

EXCHANGE CROSS-RATES

Feb. 24	Frankfurt	New York	Paris	Brussels	London	A'sterdam	Zurich
Fr'nkfurt	—	2.4035-43	48.20-35	6.510-16	4.105 120	16.85 96.0	94.38-44
N. York	41.63-65	—	20.06-06	2.715-717	1.7075-7080	39.97-99	39.24-27
Paris	207.565-785	4.9935-935	—	13.515-540	8.510-535	198.7-99.1	196.8-96.2
Brussels	15.32-35	36.86 89	7.38 40	—	62.93-63 04	14.69-73	14.47-50
London	4.1.05 1125	1.7075-85	8.51½-52½	2.25 65.0	—	4.27⅛-28⅛	4.34⅛-35⅛
Am'rd'm	104.36-41	2.5082 5107	50.295-345	6.8035-75	4. 845 96	—	98.51 56
Zurich	105.83 92	2.5445-55	50.0.04	6.885 9025	4.3465 3500	101.50 60	—

U.S. $ in Montreal. U.S. $=$105.81-84 Canadian cents.
Canadian $ in New York. C$=96.28-96.33 U.S. cents. U.S. $ in Milan 882.90-885.10
Sterling in Milan 1507.75-1508.75

EURO-CURRENCY INTEREST RATES*

Feb. 24	Sterling	U.S. Dollar	Canadian Dollar
†Short term	11⅝-12	4½-4⅝	7-8
7 days notice	11¾-12¼	4⅝-4⅞	7⅞-8⅛
Month	12⅛-12⅞	4⅝-5	7⅛-7⅞
Three months	12¾-13¼	5⅛-5⅜	7⅛-7⅞
Six months	12¾-13¼	5⅝-5⅞	7⅝-8
One year	12⅛-13	5-6¼	7⅝-8

Euro-French deposit rate: two-day 10½-10⅞ per cent.; seven-day 10½-10⅞ per cent.; one-month 10⅞-11¼ per cent.; three-month 11⅛-11½ per cent.; six-month per cent.; one-year 12¼-12¾ per cent.

GOLD MARKET

	Feb. 24	Feb. 23
Gold Bullion (a fine ounce)		
Close	$139¾-140¼	$139¼-
Opening	$139¼-140	$137¾-
Morning fix'g	$140.50 (£82.241)	$138.1 (£80.83
Afternoon fix'g	$141.25 (£82.665)	$139.1 (£81.46
Gold Coins domestically		
Krugerrand	$143¼-145¼ (£84-85)	142½- (£83½-
New Sov'rgns	$49-51 (£28½-29½)	$49-51 (£28½-
Old Sov'r'gns	$45-47 (£26½-27½)	$44-46 (£26-27
Gold Coins (Internat'lly)		
Krugerrand	$144¼-146¼ (£84½-85½)	$142½- (£83¼-
New Sov'rgns	$47-49 (£27½-28½)	$47-49 (£27½-
Old Sov'r'gns	$42-44 (£24½-25½)	$42-44 (£24½-
$20 Eagles	$228½-230½	$226½

FOREIGN EXCHANGES

Feb. 24	Bank Rate %	Day's Spread	Close
New York	5¼	1.7070-1.7090	1.7075
Montreal	8	1.7690-1.7760	1.7780
Amsterdam	5	4.27-4.31	4.27
Brussels	7	62.75-63.25	62.90
Copenh'gen	10	10.06½-10.16½	10.07
Frankfurt	3½	4.09-4.12	4.10
Lisbon	6½	66.50-66.90	66.60
Madrid	7	117.5-118.50	118.00
Milan	15	1,506-1,510	1,507
Oslo	6	8.96-9.07	8.98
Paris	10½	8.50½-8.53½	8.51½
Stockholm	8	7.23½-7.26½	7.24
Tokyo	6½	483-488	484
Vienna	6	29.10-29.30	29.15
Zurich	2	4.33½-4.36½	4.34

† Rates given are for convertible financial franc. 62.85-62.95.

OTHER MARKETS

GERMANY ◆ · MILAN · AUSTRALIA · OSLO · BRAZIL · JOHANNESBURG · BRUSSELS/LUXEMBOURG · PARIS · TOKYO† · SWITZERLAND ® · AMSTERDAM · SPAIN ♥ · COPENHAGEN ♣ · STOCKHOLM · VIENNA

Source Nikko Securities, Tokyo

FINANCIAL TIMES SURVEY
Friday February 25 1977

Curaçao, Aruba and Bonaire

Curacao, Aruba and Bonaire—the three largest of the Netherlands Antilles Islands—still have the benefits of colonial attachment to a European State. Although they are moving towards economic self-sufficiency, desire for political independence appears muted.

This report was written by
JOHN McCAUGHEY

Colony of little change

LICHES CAN come true and journalistic one is the talka- ve taxi driver who provides porters visiting strange coun- ies with a summary of what he man in the street feels out what is going on.

The man in the street in iracao, said the taxi driver, as not happy with what was oing on. Everything was a ambles, the politicians were ily interested in lining their ckets with money, young ople were too lazy to work, olent crime was increasing at enormous rate and the entire ciety, he wouldn't be at all rprised, was poised to em- ace communism at the first portunity. The guardianship free enterprise, he implied, s left largely to himself—a le which he adroitly demon- rated by converting the fare the other end into U.S. lars at a rate outrageously antageous to the taxi trade.

fortunately, splenetic taxi vers are not the only yard- k of a country's condition by more conventional surements the ABC islands they conveniently abbreviate mselves) are not doing so ly at all.

ruba, Bonaire and Curacao —the largest of the six islands t make up the Netherlands tilles. They lie close to western end of the Venezue- coastline, some 500 miles to southwest of the other three ward Islands.

Discovered in 1499 by Amerigo Vespucci on one of his first Caribbean package tours, the islands were briefly occupied by the Spanish and English before being restored permanently to the Dutch in 1816. In 1954, the six islands, as the Netherlands Antilles, became an integral part of the Kingdom of the Netherlands, whose last colony they now effectively are.

Economically, the islands have been more fortunate than many of their neighbours. Considerable Dutch development aid, associate membership of the EEC, well-established oil refineries and terminals, a successful tourism industry (especially on Aruba), together with offshore financial business and a thriving harbour on Curacao, have pushed up wages and the standard of living on the islands. Today, according to Prime Minister Juan Evertsz, the Netherlands Antilles rank second only to Puerto Rico in per capita income in the Caribbean.

Consolidating or improving this position is, however, a difficult task. The last Central Bank report (for the third quarter of 1976) noted gloomily that economic activity had at best stagnated in that period and that unemployment had increased — there are no official figures but the jobless rate is now estimated at 20 per cent on Curacao.

The balance of payments, the bank reported, again showed a surplus of more than seasonal size, resulting in a NAFls.85m. (£27.5m.) increase in international reserves in the year ending September, 1976. Public expenditure, though continuing to expand at a very high rate, said the report, gave no net impulse to overall demand, covered as it was by temporary high tax receipts.

"As long as it is not recognised that wages and social security have been growing at a too fast rate, and continue to do so, profits and export earnings will get more affected, resulting in layoffs that may compensate and eventually outgrow the generation of new jobs from public sector projects," the report continues. "The public sector will run into increasing deficits, the balance of payments surplus will disappear and only large unemployment requiring drastic measures, will remain."

Revision

The report goes on to call for the introduction of a wage freeze and the revision of the dismissal law on the islands. This law has been bitterly criticised by businessmen as being so over-protective of the workforce as to decrease productivity, increase absenteeism and stifle investment.

Like all small developing countries in the Caribbean, the Netherlands Antilles is extremely anxious to diversify its economic base. For many years, the economy of the country (and especially of the ABC islands) has been dominated by the oil refineries (established in Curacao in 1915 and Aruba in 1929) and, more recently, by the transhipment terminals, including one on Bonaire, which have been established.

The refineries and terminals are there because of the ABC islands' proximity to Venezuela, the deep nautral harbours and the nearby network of shipping routes. The refineries have always been essentially an extension of the Venezuelan oil industry and it is an arrangement which continues to satisfy both countries. Oil refining brought a high degree of employment and prosperity to the ABC islands, especially during World War II, when the refineries were of great strategic importance, and the boom continued for a decade thereafter.

In the mid-1950s, a combination of adverse factors in the oil refining sector began to cut employment and (aggravated by increased mechanisation) the trend has continued. Diversifying the economy was a logical response and the first phase of a Multiannual Development Plan went into effect from 1961-66.

The diversification programme—with the exception of tourism—cannot really be said to have worked very well. High labour costs, a small local market, the lack of natural resources and the much-criticised labour laws have combined to make the diversification goals difficult to attain. Always very vulnerable to external factors, the Netherlands Antilles economy was severely hit by the oil crisis in 1973 as well as by the rapid inflation of 1974-75 in the main countries from which it imports consumer and investment goods.

Tourism in Curacao, though not Aruba, also felt the adverse effect of the U.S. recession. In Curacao too, only the drydock company continued to expand and last year it began to feel the pinch and expects to at best break even in 1976. Plans for a ship-building yard to construct medium-size tankers in Curacao also — not surprisingly — fell through recently.

Overall, increased employment in tourism and the public sector has not kept pace in recent years with declining employment in the oil refining industry—the ABC islands' traditional mainstay. Half the population of the country is under 21 and the underlying structural unemployment problem remains unresolved. The free zone on Curacao has had at best limited success and revised tax provisions and new investments are underway to try to make it more attractive.

Nevertheless, as an IMF study pointed out last year, an oil refining and tourism economy is at least more diversified than an economy based simply on the former industry. In addition, Dutch and EEC aid has considerably improved the industrial and social infrastructure on the islands, leaving the economy much better prepared for further development efforts.

The political framework within which such development will take place provides some engrossing room for speculation. Politics in the Netherlands Antilles are a tortuous network of arcane personality conflicts and parochial jealousies, uncomplicated by any but the most hair-splitting ideological differences between parties.

Except for some matters of general importance (such as immigration, justice and police or postal and telecommunications), each island territory—that is ABC and the Windward Islands—has its own island council with local legislative powers. The central government, however, is based in Curaçao and it has the real power. There are 22 members: 12 from Curaçao, eight from Aruba, one from Bonaire and one from the Windward Islands.

The most contentious political issue at the moment is a re-emergence of a long-simmering dispute over the desire by Aruba to go independent. On March 25, a referendum is due to be held on that island to solicit the views of the inhabitants on the proposal.

The independence issue is being pushed by Mr. Bettico Croes, a passionate Aruban politician and leader of the MEP (Popular Electoral Movement) party. Still in control of the Aruban island government, although fractured by internal disputes, MEP was a ruling partner in the Curacao-based Central Government until Prime Minister Juan Evertsz's NVP (National People's Party) managed to get a working majority without its assistance.

Since MEP is organising the *independence referendum on* Aruba, other parties there are undecided on whether or not to boycott it. Opponents of Mr. Croes point out that the form in which the referendum question is couched will largely dictate *the reply*.

For a number of reasons, there is no doubt that the independence issue can command considerable support on Aruba. The reasons are partly economic and partly racial. Aruba, with a *smaller population but more* strongly based economy (thanks to tourism) than Curacao, feels dominated by the larger island and believes that it is not getting its fair share of central government revenues.

The Aruban population is also of much more Indian and white extraction than that of Curacao, *which was once a centre for* the slave trade, and feelings of racial superiority can be easily detected in a number of the islanders.

Bluff

What is going on essentially is a complicated bluff. Intelli*gent Arubans realise that the* MEP demands for total independence are a wild overstatement of a political programme and that the party has barely given a thought to the economic consequences of independence. Most Arubans have no desire to declare UDI, to cut themselves off from Dutch aid or *indeed to do anything that* might damage the tourism industry.

MEP continues to get support because it voices—with however much exaggeration—a general desire by Arubans to alter the balance of power in the Netherlands Antilles.

The referendum, like this year's central government elections, is unlikely to change much in the islands. The principal agent for change in the Netherlands Antilles would be a movement in Holland to get rid of the country's last *colony and there is no sign of* such a movement emerging there. Antillian Prime Minister Evertsz is in no hurry either. He says that he might discuss — no more — the issue of independence after 1980.

A mixed Antillian-Dutch commission and another team led by a Dutch professor are cur*rently studying the independ*ence issue, prompted to some degree by a Dutch Government desire to make a more successful exit from the Netherlands Antilles than was made from Surinam. Venezuela (the other country with an interest in the matter) has excellent relations with the Antilles, finds the *refinery link very useful and is* quite content to let the islands plot their own course at their own speed.

In a taxi en route to the airport to leave Curacao, the driver *listens carefully to the opinions* expressed by his colleague a week earlier on the state of the nation. He explodes into great gales of laughter. "He lie you! He lie you!" the driver chuckles between giggles. "Must have been an Aruban," he adds thoughtfully.

BASIC STATISTICS

Total Area	383 sq. miles
Population	239,800
Trade with U.K. (1975)	
Imports	£12.0m.
Exports	£31.2m.
Trade with U.K. (1976 to end November)	
Imports	£14.0m.
Exports	£47.5m.
Currency	Antillean guilder £1=NA Fls.3.07

Successful growth of offshore business

BUSINESSMEN IN the offshore banking and finance world in Curaçao, where almost all such activity in the ABC islands is conducted, are very discreet—so discreet, in fact, that they make the Bahamians seem like blabbermouths.

Unlike the case in the Bahamas, the Cayman Islands or other Caribbean offshore centres, their discretion is not founded on the fear of U.S. Internal Revenue Service agents conducting purges against American citizens evading their income-tax. The Netherlands Antilles are not a tax haven in the sense that (with their zero tax base) those other islands are, and very few attempts are thought to be made by Americans to use the country for tax evasion purposes.

The Antilleans' discretion is, however, American in origin. The U.S. and the Netherlands Antilles (NA) have a tax treaty which is vital to the smaller countries, appeal as an offshore centre and, although they will only reluctantly admit it, Antillean offshore financial businessmen are in a constant state of anxiety that any discussion of this treaty outside their own cloistered professional circles could prompt a move in the U.S. Congress to end or at least remove some of its more favourable features.

The U.S. and the Netherlands concluded a tax treaty in 1948 which was extended, with minor modifications, to the Netherlands Antilles in 1955.

The immediate effect of this was a boom in investment companies being formed in the NA by people wanting to invest in U.S. stocks and bonds. NA corporate tax of 30 per cent. was reduced to 3 per cent. for investment companies, and the U.S., under the treaty, reduced its withholding tax on dividends to 15 per cent. (or 5 per cent. on dividends paid to parent companies) and to zero on interest. The result was that combined U.S./NA tax on interest or dividends paid to a NA investment company was substantially lower than the normal U.S. 30 per cent. tax rate.

Boomed

Business boomed in the 1960s, particularly in investment in the U.S. stock exchange through offshore mutual funds — many of the latter companies incorporated in the NA. Two factors were instrumental in ending the mutual funds bonanza: the Bernie Cornfeld / Investors Overseas Service debacle and a protocol to the NA/U.S. tax treaty initiated by the U.S. in 1963 which brought the U.S. withholding tax back to 30 per cent. for investment companies which benefited from the 3 per cent. NA corporate tax rate.

Since then NA tax rates on investment companies have been increased to 15 per cent. on U.S. dividends and 30 per cent. on interest, which the U.S. has accepted as high enough to allow the reduced U.S. treaty withholding tax rates to apply. Two tax experts, Marianne Burge and Peter Weiss of Price Waterhouse and Co. in New York, drew a moral from all this recently. Tax treaties of the type between the U.S. and the Netherlands Antilles, they said, "are an acceptable and legitimate vehicle for achieving certain tax and economic objectives by taxpayers and governments, but things which are too good to be true will not remain true for long."

The 1963 amendment to the U.S./NA tax treaty did not remove the provision of the treaty which made it attractive for U.S. corporations to use the Netherlands Antilles to float Eurodollar bond issues or engage in other foreign financing, and this continues to be an important part of the total offshore business in the NA.

Foreign investment in U.S. real estate, however, is fast becoming one of the most active aspects of the Netherlands Antilles' offshore business. Many non-Americans, either for political reasons related to their own domicile or because they are seeking a solid hedge against inflation, are anxious to make this type of investment.

The advantage that an NA-based corporation owning U.S. real estate has over other foreign corporations doing the same things lies in the fact that (as a result of the U.S./NA tax treaty) the Netherlands Antilles corporation can elect every year to be taxed in the U.S. on the basis of being "engaged in business" there, even though the corporation could if it wished avoid such a designation by the tax authorities.

The reason that many elect to be termed "engaged in business" is because of the annual nature of the decision. Any foreign corporation owning U.S. property and receiving rents which elects to be taxed on this basis only has to pay tax on the net rental receipts, rather than a flat 30 per cent. of the gross rental income. On the net basis, considerable deductions are permitted against U.S. tax, which means usually that no tax is paid on the rental income.

The catch for a non-NA corporation is that, having once elected to be taxed on this net basis, it cannot change its mind and is liable to large U.S. capital gains tax when the property is sold. The decision to be taxed on a net basis saves the foreign corporation a lot of tax during the rental life of the property but lands it with a large U.S. tax liability when the property is disposed of at a profit.

The NA corporation simply elects to be taxed at a net basis during the years when the property is rented, deducts sufficient expenses to avoid any tax on the rental income, but in the year in which it sells the property decides to not be "engaged in U.S. business." By so deciding, it lands itself with a U.S. tax bill for 30 per cent. of the rental income that year, but that is completely outweighed by the fact that the designation "not engaged in U.S. business" means that it pays no U.S. capital gains tax on the profit from the sale of the property.

Equally, there is no NA tax on the corporation's income from U.S. real estate. Interest paid by an NA corporation on money it has borrowed from a foreign lender to finance or part-finance the U.S. real estate purchase is not subject to U.S. withholding tax or to any NA income or profit tax.

With such advantages, it is not surprising that the formation of companies to buy U.S. real estate is generating considerable new business at the moment in the Netherlands Antilles.

The exact amount of international capital flow routed through the country by these companies and others in the offshore financial world is not known, and even the Central Bank will not venture a rough estimate. Under the National Ordinance for Supervision of Banking and Credit Instit tions (1972) offshore finan companies are legally exemp from the Central Bank's supe vision. Offshore companies a only obliged to report inc poration and to obtain approv for operation.

Figures for what the offsho companies pay in taxes to t Netherlands Antilles Gove ment are also difficult to co by. In 1974 NA Fls.35 (£11.3m.) and the best estimat for the last year suggest a figu of some NA Fls.60m. (£19.4m The companies are very impo ant to the country in providi employment and in the infl of foreign currency they p vide to pay local costs a taxes.

Company registrations in 1 Antilles were approximat 7,000 last year — the high ever — and some 400 peo are estimated to be employ in the sector.

The continuing prosperity any offshore finance centre pends on a number of facto of which a stable political vironment is perhaps the m important. The Netherla Antilles have that as well as infrastructure of lawye accountants and other pers nel which is superior to ot Caribbean offshore financ centres. Only some drast change in the country's treaty with the U.S. could the offshore business and th are no reasons at the mom to foresee such a change.

Oil refineries hard hit

IT WOULD be ironic indeed if, more than 60 years after Shell established its first refinery on Curaçao to process Venezuelan crude, the Netherlands Antilles (NA) were at last to find some oil of their own to refine.

Ironic or not, the possibility exists. In March, drilling for oil is scheduled to begin off the Windward Islands of Saba, and a few months later seismic exploration should begin off Aruba and Curaçao.

Searching for oil is still a pot-luck business, and opinions of the likelihood of it being found off the islands vary. Shell, who because of their long association with the NA Government, might have been expected to join in the search, turned down a Government offer of participation. Instead, the searches are being made by the Government, in conjunction with two consortia—one (off Saba) led by Weeks Natural Resources and the other by Getty Oil Company.

The Government's share of any oil found will be refined in the NA, although the consortium members are under no obligation to use the same refineries. An oil find in the NA would be a boon to the Government in more ways than one.

The profitability of the refineries on Aruba and Curaçao (especially the latter) has been markedly declining. Shell, which once employed more than 10,000 people on Curaçao, now employs some 2,800 and is said to have 600 more staff than efficiency demands. Lago on Aruba, which once provided work for some 9,000 people, now employs 800 and is expected to lay off some workers later this year.

The automation of the companies facilities that started in the late 1950s and the growth in crude trans-shipment are easily identifiable reasons for this decline, but there are other causes.

On Curaçao, a senior Shell executive pointed to U.S. Federal Energy Agency (FEA) rules, which give a sharp competitive advantage to the Hess refinery on the U.S. Virgin Islands (it is treated as being on the mainland U.S.), to explain why the Curaçao refinery's share of its traditional U.S. market has dropped to 15 per cent. of what it used to be.

Capacity at Shell's refinery on Curaçao is now down to 360,000 barrels per day, with utilisation varying between 250,000 b/d and 300,000 b/d. The refinery previously had a much larger capacity but has scrapped a sizeable proportion of its intake facilities. It does, however, produce a very wide range of products and last December completed a new thermo-cracking unit — the rounding off of a building programme begun nearly 20 years earlier. During that period a lot of the refinery's processing plant and ancilliary systems were renewed and a highly-automated oil movement system installed.

Nonetheless, the refinery, executives say, has been making a loss for the last two years. It has had some success at finding new markets, in the Caribbean, South America and, to a much lesser extent, Europe to fill the gap left by the near-closure of its traditional U.S. market. Glumness, though, seems to be the prevailing mood at the refinery, which dominates one side of Willemstad Harbour, and the glumness is not eased when every year—loss or not—a Shell cheque for the company's agreed minimum tax of NA Fls.28m. (£9.1m.) goes off to the Curaçao island Government.

On Aruba, things are slightly better at the Lago refinery. Unlike Shell in Curaçao, which has no contractual arrangements with Shell in the U.S., Lago (owned by Exxon) simply refines its crude at the speed dictated by Exxon in the U.S. Capacity at Lago is 440,000 b/d and the U.S. is its main market. Last year the company says it found a strengthening of demand from the U.S., and the exceptionally cold winter there at the moment has boosted demand further.

Despite this, Lago also s that it has been making a l for the past two years. It a pays a minimum tax to island Government NAFls.33m. (£10.7m.) a y but recoups some of this by credits set against profits years.

Unlike Shell in Curac which now only processes ab 60 per cent. Venezuelan cr with the rest coming from Middle East and Africa, L in Aruba refies principally Venezuelan supplies. Lago conducts transhipment crude for Exxon U.S.A. company's transhipment c city is approximately 300, b/d.

Transhipment is an A islands' industry that has b expanding rapidly at the s time as the refineries have b trimming back capacity cutting their workforces. newest transhipment term is on Bonaire, where Bonaire Petroleum Corpora (BOPEC) facility became op tional in September, 1 BOPEC is a joint ven between Northville Indust of New York and Paktank of Rotterdam.

The commercial thin behind the transhipn terminals is simple. Cur port facilities for delivery Mideast and African crud

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CURACAO, ARUBA AND BONAIRE III

Container competition threatens harbour

ISLAND of Curaçao—as its ...itants readily acknowledge just a great rock sticking ...f the sea, arid and barren with one exception, hardly ...tural resource to call its ... The exception is Willem... Harbour, one of the finest ...e Western Hemisphere and ...conomic backbone of the ...l.

...e seventh busiest port in ...orld, some 10,000 ships a ... use its facilities and ...ners from neighbouring ...s and the South American ...and make an additional calls—prompting the bob... Queen Emma pedestrian ...on bridge across the har... entrance to open and close ...t constantly.

...l established a refinery on ...ores of the harbour in ...o tranship crude from the discovered oil fields at Maracaibo in Venezuela. ...rs calling at the refinery ...ccount for some 78 per ... of the 82.7m. tons of moved annually in the ...r although, with their carrying capacities, they ...up only 22 per cent. of ...182 piloted ships which ...l last year.

...tunate

...çao's fortunate geogra... position at a natural ...ds for ships using the ... Canal or trading be... ...orth and South America ...ays been a large factor ... harbour's success as a ... and bunkering centre. ...p-repair industry traces ...gree back to 1635 when ...rchantmen of the Dutch ...dia Company called at ... on their way to Brazil. ...59 the Curaçao Drydock ...y took over ship-repair... ...ities from the two com... previously active in the ...hell Curaçao and Plot... ...derborst) and to-day the ...y boasts the largest com... drydock on the Atlantic ...f the Western Hemi...

...72 the Antilla graving ...th a capacity of 120,000 ...s opened and plans ...st for an additional ...lock with a capacity of ...ately 80,000 dwt. The the world recession on ...epair market, however, ...ed plans for the new ... hit the company's growth which, between ...1975, averaged more ...er cent. a year. ...ontraction of business ...ccording to managing J. B. Roggeband, is ... mean that the com... only break even or ...slight loss last year. ...l currently employs ...ple, with an additional ...d or sub-contractural ... The planned addition of the new graving dock would mean an expansion of the full-time workforce to 1,500.

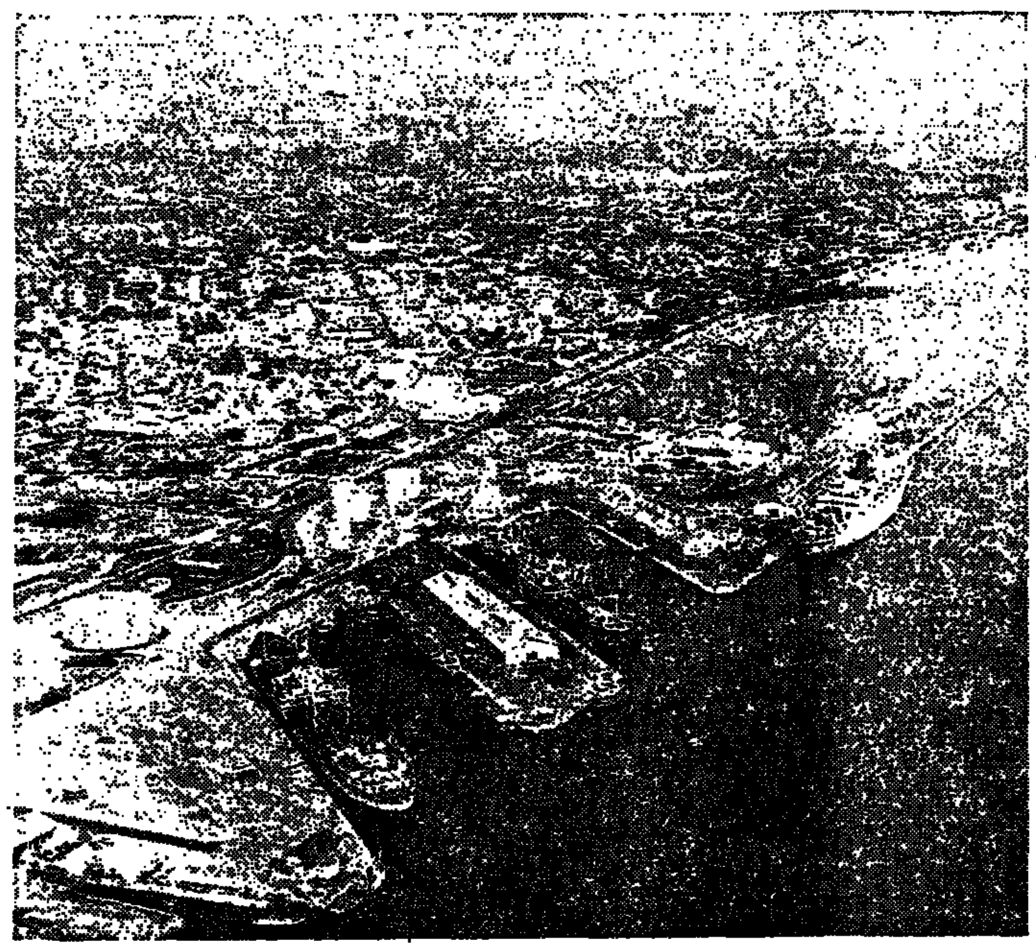
Preliminary figures for last year show that more than 700 ships, with approximately 12m. gross tons, used the yard's repair, maintenance and conversion facilities. Comparable figures for the previous two years show 866 ships in 1974 with a gross tonnage of 10,362,000 and 846 ships in 1975 with a gross tonnage of 10,595,000. The larger ships being handled by the company account for the decline in the number of vessels but rise in gross tonnage.

Prices charged by the company are currently about 10 per cent. lower than those in the U.S. but higher than in Europe or in many South East Asia yards. Some shipbuilding yards in Europe and Japan have also provided competition by turning to ship-repair work in the current ship-building recession.

Although expansion has slowed down at the Curaçao Drydock Company, some facilities were added to the yard's network of two graving docks, a floating dock and extensive repair wharves and repair shops. A new 1,500 feet quay, owned by the island government, with a 40 feet draft and access to the company's shops was put into service and two 60-ton cranes will be installed there this year. Another quay, adjacent to the 28,000 dwt Beatrix dock (all the companies facilities are named after members of the Dutch Royal Family), is being rehabilitated and lengthened and the company's marketing effort was strengthened with the opening of its new New York office and the appointment of an agent in Uruguay, bringing the strength of that network world-wide to 21.

Like the drydock company Willemstad Harbour generally is having to fight hard at the moment to consolidate its position as a leader in its field. The harbour's development has always been along the lines of conventional cargo ports and the abrupt growth in containerisation in the shipping industry in recent years has not been matched with a corresponding ability by the harbour to handle this type of traffic.

Harbour authorities and the central and island Governments are alert to the deficiency and, as usually happens in the ABC islands, have turned to the Netherlands for help. The harbour's 1,500 feet of jetty with depths alongside of 37 feet are enough for the largest container ships but the harbour needs two container derricks which will cost an estimated £9m., with another £3m. for civil engineering work on the container terminal.



An aerial view of Aruba's harbour.

Work is supposed to start on the project this year, with the Netherlands financing the civil engineering side, but Harbour-master Captain Jan Oenes complains that the Dutch are dragging their feet in approving the scheme and as a result his harbour is losing ground to other Caribbean ports, like Jamaica, which are better equipped to handle containers.

A container terminal is obviously vital to the harbour's development and Curaçao, with such a facility, believes that it could attract a very large amount of business in transhipments to Venezuela, whose coast is just 40 miles away and whose ports are extremely congested.

Aruba is also anxious to have a container terminal at its port of Oranjestad, the island's capital, and a team of Dutch container port experts came to the island last month to make a feasibility study.

The Arubans' eagerness for a container terminal was increased last year when a group of British, Dutch, French and German shipping lines started the Caribbean Overseas Lines (Carol), a joint fully containerised weekly service to ten Caribbean and Central American destinations, including Aruba.

Without a container terminal, the Arubans feel, Carol will remove the island from their list of destinations and much of the 40,000 tons of cargo that the island imports annually from Europe, as well as a great proportion of imports from the U.S., will got to other islands with container facilities.

Latest

The Arubans are eagerly awaiting the result of the latest study because an earlier report by a Dutch expert described the plan as "a white elephant" and too ambitious for an island of 60,000 people. The current plan envisages some £7m. expenditure on a new pier with a container crane on rails to handle the cargo. An earlier EEC plan to finance the project has also fallen through.

The immediate issue of facilities to deal with containerisation and the broader questions of developing the ports and harbours are vital to the economic development of the ABC islands, where everything from heavy machinery to the tourist's steak dinner is imported. The harbours, especially in Curaçao, have been the islands' greatest natural asset for more than four centuries but other islands in the Caribbean—like Jamaica and Puerto Rico—have similar geographical advantages and are energetically chasing a larger slice of the market in a bid to upset the traditional superiority of ports like Curaçao. Few of them so far can rival the total services that the latter has to offer shipping but Harbourmaster Jan Oenes and his colleagues will have to work hard to keep the Queen Emma bridge swinging open and closed so busily.

...efineries

CONTINUED FROM PREVIOUS PAGE

... coast of the U.S. ...y tankers up to the ...00 dwt. class to be ...ch crude nowadays is ...n very large crude (VLCC's), which ...t much more cheaply, ...mostly in the 260,000 ... The ABC islands, ... natural deep-water ...nd a politically stable ...ovide a suitable point ...e U.S market where ... be transferred from ...s to smaller tankers ...y to the U.S.

... by far the least ... of the ABC islands, ...much the economic ... of the group, was ...ave the terminal and BOPEC a 60-year ... lease on a 500-acre ... an option on an ...1,345 acres. BOPEC ...ven a seven-year tax ...

...n for the tax holiday ...s guaranteed employ... ...25 people on Bonaire, ... company recently ... plans to expand this ...with a payroll of £880,000. One jetty at the terminal can handle two VLCCs of up to 500,000 dwt each, and a secondary jetty can deal with tankers from 20,000 dwt to 200,000 dwt. Offloading facilities move crude at the rate of 450,000 barrels per day and storage tanks can hold up to 8.3m. barrels.

Potential oil spills pose hazards for Bonaire's tourism but the island Government has insisted upon a number of ecological safeguards and is clearly keeping its fingers crossed that nothing will go wrong, while at the same time computing the economic advantages of BOPEC to the island.

As the heavy dependence of the U.S. on crude imports continues to grow, the ABC Islands' transhipment terminals are thriving. However, the approval by President Ford just before he left office of plans for two deepwater ports in the Gulf of Mexico could be thought to pose a threat to their continued viability. Mr. Ford's approval covered two projects—Seadock off the Texas coast and LOOP off the Louisiana coast, both in the Gulf of Mexico. The ports would be the first in the U.S. that could handle supertankers.

Executives at the Antillean terminals point out, however, that they have at least a five-year lead on the two ports, even if the latter get final approval quickly. They also point to environmental objections in the U.S., the cost of the facilities (an estimated $650m. for Seadock and $350m. for the first phase of LOOP), costs which must be reflected in rates charged, and the siting of the proposed Gulf ports in areas which are subject to rough weather and hurricanes.

Perhaps, though, the most serious threat to the terminals could come from within the ABC islands themselves. The $100m., Shell-owned Curaçao Oil Terminal, which began operations in June, 1974, and can handle some 1m. barrels per days, was given a 10-year tax holiday by the Netherlands Antilles central Government when it began operations.

The Curaçao island Government has recently announced its intention to take over ownership of a portion of water around the COT installation at Bullen Bay in Curaçao. The island Government then plans to impose a levy for "use" of this water on COT and users of COT installations.

Shell has objected strenuously to the proposed levy but offered the island Government NA Fls.6m. (£2m.) without prejudice "in recognition," as a company statement tactfully put it, "of agreement reached about the interpretation of certain items about which there might be a difference of opinion."

The Curaçao Government turned down this offer and is due to come to a decision about the matter at the end of this month. The implications for COT, the other oil terminals and the credibility of Netherlands Antilles tax holidays are considerable and the island Government's next move is being awaited with interest and some trepidation.

The tourist industry

WHEN SNOW fell in the Bahamas last month and an unseasonable chill sent outraged tourists scurrying to check out of Florida hotels, they discreetly fell about laughing in the Netherlands Antilles and got ready to check the tourists into their own hotels.

Quite a number came. An American social security card (or, less officially, just a credit card from a big New York department store) is all the identification that citizens of the United States require to get into the islands—such is the importance of the American tourist market to the local economy and the cut-throat nature of the competition from other Caribbean resorts.

Unfortunately for them, a windfall like snow in the Bahamas does not come along often, and for the rest of the time the ABC islands have to hustle in the tourism market place amid the blandishments of many other Caribbean countries — all peddling the same vision of a terrestrial paradise manufactured out of sand, sea and tanker-loads of suntan oils. Now the three islands have approached this task and the widely varying degrees of success that they have encountered illustrates more readily than any other yardstick the essential differences between them.

Aruba is the unquestioned leader in the field, with a tourism success story that would make a public relations man blush. There are 1,574 hotel rooms on the island and occupancy in the winter season can go as high as 91 per cent.

The average occupancy rates for the last five years chart a trend that seems to rise inexorably. In 1972 it was 70 per cent., the following year 76 per cent., the year after 80 per cent. and only in 1975 did the figure slip back to 74 per cent.—a dip which Aruban tourism officials apologetically explain as being caused by 550 more hotel rooms suddenly becoming available. Last year occupancy rose again to 82 per cent., and for the first time the total of visitor-nights spent on the island passed the 1m. mark. This year there will be an increase of nearly 700 rooms, with the expansion of one hotel and the opening of a large, Venezuelan-financed one.

The ailments that afflict tourism in other parts of the Caribbean leave Aruba untouched. Social unrest elsewhere and the "attitude problem" (a Caribbean euphemism for the resentment local people often display towards tourists whom they dislike for racial reasons or view as being offensively rich) only burnish Aruba's complacent reputation for stability and smiling service.

And the marked fall-off in visitors in the "low" summer season with which many other tourist economies in the region have to cope is largely eradicated in the island by the flow of relaxation-seekers from nearby Venezuela.

Boom

A tourism boom of this nature brings its own problems, however. When the 540-room Concorde Hotel opens this autumn, the management will need to find and train, it is estimated, some 700 additional workers. No one knows where the workers are going to come from, the other hotels on the island are worried that their staff will be poached. Wages, and as a result charges, are likely to increase with the competition, and the standard of service will almost inevitably fall.

The boom has also been achieved in just 16 years. In 1961, Aruba had only 12,000 stay-over visitors, but by 1976 that had increased to 146,000. As a result, the tourist industry on the island has become accustomed to the enviable position of having more tourists than it can handle. As more and more hotel rooms come on the market, however, fears are being expressed in the industry that advertising budgets are not keeping pace and that a lot more money will have to be spent to feed the giant combine harvester with the ever-increasing crops of tourists that it demands.

There are a few little local difficulties too, which the island Government is being markedly slow in solving. Renting a car in Aruba is often impossible because the local taxi drivers form a stringent lobby and have managed to have their livelihoods securely protected at the expense of the car hire companies, who are only allowed to increase their small fleets after the most prolonged pleading and provided that there has been a simultaneous increase in the number of taxi drivers.

This causes much behind-the-scenes bickering between the hoteliers and traders on the island and the Government. The traders fret because the tourists cannot get from the hotel on the beachfront to the shops, and the hoteliers squirm because they bear the brunt of the tourists' complaints.

Irritating as they are (like the odd cases of hotel overbooking that are reported), these problems have done little to dent the island's spectacular success in the field. "Aruba's main problem," said one tourist board official wistfully, "is very simple: it's just to keep everything the way it is."

If Aruba, with its 62,000 inhabitants, 1m. visitors, three miles of white-sand beach and teeming hotels and casinos represents one end of the spectrum of Caribbean tourism, Bonaire with only 8,400 people represents the other extreme. It is larger than Aruba (112 square miles as opposed to the latter's 70 square miles) and it is easily categorised as a sleepy, unspoilt island in the sun. Tourists there have traditionally come for the excellent scuba diving and the largest number of overnight visitors recorded so far was the 11,000 in 1974.

Airport

The principal limitation on tourism is the size of the airport. At present the largest aircraft that can land there is the 130-passenger DC9 but the island Government (through the Netherlands Antilles' associate membership of the EEC) hopes to get a grant from the European Development Fund to extend the runway to accommodate much bigger jets and eliminate the existing stop-over for tourists in Curacao.

The completion of this work in 1979 is likely to have a dramatic effect on tourism to the island. A number of hotel owners and operators are anxious to move in immediately afterwards, and the present total of 250 hotel rooms is likely to increase sharply.

The prospect cannot be viewed with total enthusiasm by either the underwater enthusiasts or the 6,000 graceful, stilt-legged pink flamingoes who inhabit a reserve on the island, and their caution is shared by the local tourist Board.

While anxious to build up tourism to the point where Bonaire's "poor cousin" economic relationship to the other islands in the Netherlands Antilles is relieved, tourism planners are also concerned not to lower the 35 per cent. repeat-visitor rate or to alter the island's appeal as a secluded, unspoilt retreat. "If someone is looking for a go-go island," one official said sternly, "he should not come here."

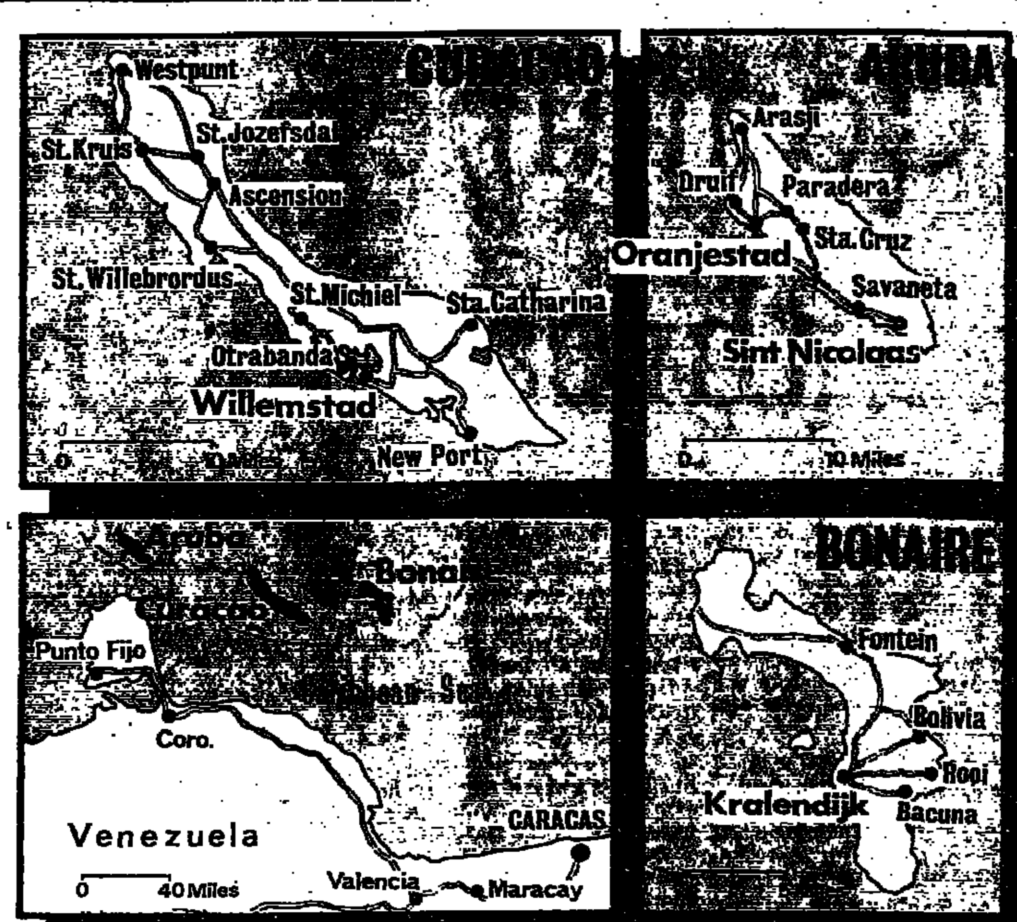
Nonetheless, the Government believes that the addition of 500 hotel rooms at a controlled pace would be a manageable expansion. As is the case elsewhere in the ABC islands, most visitors to Bonaire come from the U.S., with Venezuelans in second place. Bonaire is also proud of its reputation as the favourite holiday spot for Antillians themselves.

"We are not commercialised, thank God," said Niki Tromp, of the Bonaire Tourist Bureau. But whether—once the bigger aircraft can land there—the island remains its present unspoilt self or succumbs to the lure of many more tourist dollars remains to be seen.

Aruba and Bonaire—in their very different ways—are satisfied with their lot in tourism and face few real problems in developing the industry. Curaçao by contrast is weighed down with physical and psychological difficulties in the same sector.

The largest (180 square miles), most heavily-populated (156,000 people) and the wealthiest of the ABC islands, as well as being the seat of the central Government of the Netherlands Antilles, it is still so poor in tourism terms that it remains that rare-enough thing—a Caribbean island which cannot provide a beach for visitors.

There are beaches on Curaçao (though none to compare with the other two islands), but most of them are owned by local residents—often the heirs or successors to Dutch colonial officials who bought them for next-to-nothing half a century ago. The privacy of these beaches is zealously guarded, and those few of the public who do have access require a degree of dedication and map-reading skill that is beyond the scope of all but long-time local residents.



Beaches

Three of the larger hotels in Curaçao have attempted to circumvent the problem by making their own beaches, but the result is no serious competition to nature or to other Caribbean islands.

The beaches problem reflects a widespread absence in Curaçao of any infrastructure for the tourism industry. There are no golf courses, few sports facilities of any kind (unless the island's four casinos fall into that category), inadequate public transport, badly-signposted roads and service in the hotels which while not constituting an "attitude problem" is certainly less friendly than in Aruba or Bonaire.

In 1968 Curaçao had 101,000 stopover visitors, which fell to 91,000 the following year when several days of riots following a labour dispute prompted the Netherlands to send in marines to keep order and propelled the island briefly into newspaper headlines all over the world.

In 1970, stopover visitors recovered to 101,000, went up to 108,000 for the next two years and rose to 123,000 in 1973. In 1974, the figure dropped again to 110,000 and in 1975 declined further to 103,000. Figures for the first three-quarters of last year suggest a substantial improvement on that. During the period 1969-75, total cruise passengers (an important segment of the industry on the island) increased from 92,000 to 178,000.

Curaçao has traditionally relied on the established refinery and harbour businesses to provide employment, and it is only now when the workforce in those industries is being cut back that the Government is looking to tourism as an alternative employer and attempting to safeguard its own considerable investment in the field (it owns or has majority holdings in all the island's four hotels).

Because other industries have been competing for the workforce in Curaçao, tourism has to a degree been neglected. With employment in many of those other industries (particularly the oil refinery) falling, however, and with Aruba and Bonaire providing attractive destinations just a short aircraft hop away, Curaçao is going to have to devote a lot more time, effort and investment to even maintain its current share of the market.

Aruba and Curaçao maintain separate tourism offices in New York to woo American tourists, and in 1967 someone had the idea that this was perhaps a wasteful duplication of effort. A unified attempt was therefore made to market the three islands together, and advertisements briefly appeared enjoining the American public to learn its ABC—Aruba, Bonaire and Curaçao.

The attempt collapsed in a series of bureaucratic squabbles about who would pay what share of the budget and whether the ads, as Curaçao is reported to have suggested, would not read better "learn your CBA." Since then the islands have marketed their different products in different ways.

FARMING AND RAW MATERIALS

Cocoa and coffee prices surge to record levels

BY RICHARD MOONEY

COCOA AND coffee prices on London terminal markets rose to new peaks again yesterday in the face of further waves of speculative buying. By the close May coffee was £165 up at a tonne and May cocoa at £2,452.5 a tonne.

Coffee values were boosted by the emergence of more "bullish" evidence at the U.S. Congressional inquiry, an export registration price rise in El Salvador, Colombian coffee export rise and rumours that Brazil is to close export registrations until July. Reports of heavy buying by General Foods also helped sentiment.

The recent upsurge has left New York prices trailing in the wake of the London market because of the operation of daily fluctuation limits in the U.S. This means that London's robusta contracts, normally at a substantial discount to the Arabica coffee traded in New York, are currently priced more than £130 a tonne above New York values.

The higher London price has attracted heavy hedge selling against U.S. physical purchases but this has been more than outweighed by the diversion of speculative buying from the limit-bound U.S. market.

At yesterday's session of the Congressional coffee prices hearing in Washington executives of two major U.S. supermarket chains said coffee sales figures showed little or no decline despite soaring prices.

Neither does there appear to be any significant shift from ground coffee to cheaper instant coffee, said Mr. John Kimball, vice-president and Eastern regional manager of Safeway Stores.

On balance the evidence presented to the hearing appears to have helped rather than hindered the upsurge in coffee prices. Democratic representative Fred Richmond's accusations that Brazil had manipulated coffee stocks figures to boost prices artificially hit prices on Tuesday. But subsequent evidence by Commodity Futures Trading Commission vice-chairman John Rainbolt—who said on Wednesday that soaring coffee prices appeared to be the result of fundamental supply/demand considerations—and the store executives yesterday have helped to reassert the upward trend.

Mr. Richmond has claimed, however, that the hearings have shown "beyond and shadow of doubt" that there is no shortage of coffee in the world. He has called a meeting for March 7 between Congress and the appropriate assistant secretaries at the State, Treasury and Agriculture departments to seek co-ordinated Government action on coffee prices.

Yesterday's announcements of a $22.5 rise to $376.5 a 70-kilo bag in Colombian coffee export deposits and an $18 rise to $298 per 50 kilos in El Salvador's minimum export price were seen by London traders as responses to recent price rises but nevertheless served as a further encouragement to the upsurge.

Dealers said there were no new fundamental factors to account for the continued upsurge in cocoa prices. The New York market was limit up overnight, which pushed London higher, and the market was further boosted by chartist and stop-loss buying.

U.S. studying new sugar import policy

WASHINGTON, Feb. 24.

BOB BERGLAND, U.S. Agriculture Secretary, has presented sugar policy options which would cut the present global import quota from 7.2m. short tons, Administration sources said.

[...] would also establish a [...] support price of [...] 13-14 cents a lb. raw [...] through a Commodity Corporation loan rate, Reuter.

Sources said the options presented to the State [Tre]asury Departments and [the Office] of management and [...] next week. A joint re[commend]ation will eventually be [sent to] President Carter.

[...] said the U.S. Agriculture [...] on sugar, set up by [...] and, is not recommend[ing a co]untry-by-country import [sys]tem.

[...] noted this could create [...] in view of the fact that [...] imports last year [...] round 4.7m. short tons [...] resent there are large [sur]pluses.

[...] to control a rush of [...] trying to obtain entry [...] market may be to set [quota]s on a quarterly basis, [...]d.

[So]urces said there is no [rec]ommendation on the [im]port tariff, which was [...] 1.875 cents a pound by President Ford last October.

As world prices are around eight to nine cents a pound, the tariff would have to be adjusted upwards to make domestic sugar at 13-14 cents a pound competitive with imports, they noted.

The present tariff, plus shipping costs, gives U.S. sugar a premium of around 3.5 cents above world price.

Any decision to impose individual country quotas, as with meat imports, would have to be endorsed by the State Department which would have a say in negotiations with producer countries.

Earlier from Tokyo, it was reported that Japanese sugar refineries and a visiting Australian negotiating team made little progress in talks on sugar prices but agreed to meet again early next week in an enlarged conference, according to the Japan Sugar Refiners' Association.

Our Commodities Staff writes: The reports from Washington coupled with the low level of prices following several days of falling values, prompted an upturn in sugar markets in London and New York late yesterday.

On the London terminal market values ended 0.50 to £2.20 a tonne up on the day. In the morning the London daily raws price was marked down £1 to £119 a tonne.

Fall back in tin market

By John Edwards, Commodities Editor

PROFIT-TAKING sales, and expectations of a rise in warehouse stocks, cut tin prices on the London Metal Exchange yesterday from the previous peak levels.

Cash tin closed £70 lower at £6,065 a tonne, while the three months quotation lost £58.5 to £6,225 — widening the contango (discount of the cash price to the forward quotation).

The decline came despite a rise in the Penang market overnight, and confirmation from the Federal Preparedness Agency in Washington that planned sales and purchases of stockpile materials, proposed by the Ford Administration, have been placed under a moratorium by President Carter pending a review of stockpile policy.

However silver prices were also hit by profit-taking yesterday after moving up in the morning following the trend in gold. The London bullion spot quotation was raised by 3.45p to 272.5p an ounce at the morning fixing. But it fell back to around 270p by the afternoon close.

Lead values reached new all-time peaks, with cash lead gaining a further £4 to £416 a tonne, despite some profit-taking sales. Zinc followed the upward trend in lead, but copper lost early gains to close down on the day.

World copper mining capacity will increase to 7.97m. tonnes by the end of 1977 from 7.51m. at the end of last year, the February issue of Commodities Research Unit Copper Monitor estimates.

Milk output increased last month

By Our Commodities Editor

MILK PRODUCTION in England and Wales continued to rise in January. Compared with January last year output was up by 0.4 per cent. or 3.8m. litres at 925.2m. litres, the Milk Marketing Board said.

Liquid milk sales fell by nearly 10m. litres to 562.7m. but the 1.7 per cent. drop was generally in line with the trend of the past year even though the retail price rose by 1p a pint on January 2, the Board added.

Less milk was used for fresh cream—down from 58.5m. to 57.2m. litres—but the total quantity of milk for dairy products manufacture rose by 3.9 per cent. or 13.6m. litres to 362.5m.

India steps up edible oil exports

By K. K. Sharma

NEW DELHI, Feb. 24.

INDIA'S State trading corporation has made firm contracts to import 358,000 tonnes of edible oil by October this year but is still to reach the target of 500,000 required by that time.

The Indian Government has issued import licences for edible oil of various kinds worth Rs.2,750m. (about £180m.) and more such licences will be issued.

The intention is to use the record foreign exchange reserves, now over $3bn., to import edible oils since their scarcity is thought to be one of the main causes of inflationary forces.

U.K. AGRICULTURE

Perils of beef production

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THE WELLAND valley near Market Harborough in Leicestershire is a famous grazing district, where the pastures will probably produce more beef per acre than any other comparable area in Britain. But this grazing type of farming is a highly skilled and specialised job and one that seems to be on the decrease. The traditional system is to stock the land when the grass starts to grow in mid-April with just over one large beast an acre; this stocking is supplemented with sheep if required.

By the middle or the end of June the cattle — which weighed at the beginning about 9 cwts.—will have put on 2 to 2½ cwts. in weight and will be ready for the butcher. This speed of weight gain is important because after mid-June the grass begins to lose much of its quality and although useful grazing for the rest of the season, will no longer have such spectacular results.

'Store' cattle

When I was there a few days ago farmers were already looking to buy bunches of "store" cattle in the markets to supplement those they had in their yards, being kept off the land until the grass begins to grow. You just cannot go out on April 15 and purchase your grazing requirements, as everyone then is looking for the last few cattle to top up their own numbers, and prices would go sky high.

In any case, it is a most expensive business to be in. The value of one of these "store" cattle approaches £300 or more, so the stocking of a 300-acre grass farm would amount to at least £100,000; farmers told me they had to ask their bank managers for more and more each year to carry on with.

I have never been able to fathom the economics of the system since I was a student with a grazier in a rather similar area of south Shropshire many years ago. The practice was to buy-in every spring. No cattle were wintered, and green as I was, I could see that most of the 500 cattle we had bought in April and May were going out for less than they cost in June and July. Even if some exceeded it, there was little left for profit or even to cover overheads. I remarked on this to my boss, who said that I was probably right but that they were his cattle, his losses, and he enjoyed it. Necessity in the end drove him to milking cows.

Necessity has altered the picture of the Welland Valley. Today much of it has been ploughed and put to wheat and other grain. To cheapen costs still further, farmers have been buying much younger cattle or rearing calves so that they stand the chance of bigger margins—and they can use arable by-products to sustain a larger number of cattle. The grass was at one time considered too strong to be grazed by young cattle, but modern medicines have overcome this to some extent. The farmers I met regretted the change but had adapted to it, as most do in the end. I strongly suspect that properly costed their beef would be the least profitable side of their farming.

Vulnerable

They realise, of course, that they are very vulnerable. Except in occasional years there is strong competition for "store" cattle at all stages of growth and they simply have to buy or be understocked. And although when they come to sell, June is often a good month for prices, they have even less control of selling prices than they had when purchasing "stores."

Just now they are very apprehensive. The "store" cattle they bought last autumn were very dear but they had been encouraged by the prospect of reduced cattle stocks and a consequent shortage of beef which would force up prices. As far as home produced supplies are concerned numbers are well down. Over the last four weeks total cattle slaughterings compared with last year have been down by 17,000 head a week, or roughly 25 per cent. Even so, prices on the markets have been falling, as they have for carcase beef an area in which traders say that demand is abysmally low. Since mid January live fat cattle prices have fallen from £9.22 per kilo live weight to about 56.50p this week. The average 2.75 pence a kilo fall may not look much but on a 450 kilo animal this comes to more than £12.

Wholesale meat prices have shown the same trend. A number of factors are being blamed for the poor trade. The Irish monetary compensatory payments have increased the subsidy paid on Irish beef exported to Britain, there have been imports from Denmark and Germany while exports have been impeded by the monetary compensatory premiums. But there is no evidence that supplies are above what they were two months ago. There is a threat of more New Zealand lamb partly alleviated by the New Zealand Meat Board's support buying programme announced this week. Pork supplies are also higher than last year and prices are falling. However, it does not seem that the public is switching to this meat which is much cheaper than beef.

The only real bright spot for farmers is lamb but this is probably sustained by an extraordinarily good export trade which could be ended if, as is rumoured, the French raise their threshold price next month.

Transition

A good deal will depend on the progress the EEC makes in settling beef prices at the forthcoming annual Farm Price Review. If the intervention price is raised by 2 or 4 per cent. as at present mooted, plus a 4 per cent. rise due to the elimination of another Stage in the transition arrangements, a great deal of beef would probably go into intervention, which is just beginning to happen again at the moment. On the other hand, there is a possibility that the beef support could be changed permanently in the EEC to a variable premium system which would give the consumer the opportunity to buy cheaper beef. This change, though is unlikely to be decided until the late summer if ever, although a variable premium could be paid shortly under the U.K. arrangements.

Overall it does seem that the weakness of the British market will continue because the effects of the pay squeeze are at last beginning to be felt. Housewives are switching to the cheaper cuts or doing without. Soybean cuts in the long run this will determine the future of beef producers either in the Welland valley or anywhere else.

Farm price rises attacked

BY PETER BULLEN

STRONG BACKING for the Government's stand against any farm price increases at this year's EEC farm review was voiced yesterday by the Cocoa, Chocolate and Confectionery Alliance.

They called for a price policy which would "result in the elimination of those farmers who are inefficient in the context of the Community's needs.

"They must be cared for by national social funds, rather than by having their inefficiency perpetuated, as it is now, at the direct expense of the consumer," the Alliance said.

Its members processed over 300,000 tonnes of sugar, 130,000 tonnes of glucose and starch and 50,000 tonnes of milk solids a year, it added.

Transitional steps to EEC price parity for several foodstuffs were already assured. One or two successive poor harvests did not justify what would be irreversible price increases.

In the final analysis any increase in farmers' incomes must be contained within the structures of the Prices and Incomes policy with which the rest of society had to comply.

"The present system has created successive mountains of butter, milk powder, beef and, potentially, sugar. The only real cure is rational market management based on strict price discipline, and a consequent pruning out of the inefficient producers.

"The Commission in its latest proposals refuses once again to face this politically unpalatable fact, and the Government is right to oppose them."

U.K. timber imports up

U.K. SOFTWOOD imports last year were 7.2m. cubic metres and apparent consumption rose by 14 per cent. to 7.3m cu.m. according to figures compiled by the Timber Trade Federation.

Imports of hardwood lumber and logs were 840,000 cu.m. and apparent consumption rose slightly to 837,000 cu.m. (813,000 cu.m.). The proportion of logs rose to 200 cu.m. (166,000 cu.m.), reflecting a greater availability, but overall the trend remains for more sawmilling to be carried out in the country of origin.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

[COPPER] Lost ground on the London [Metal Exch]ange in generally subdued [trading. The]re was initial firmness in [...] when stop-loss buying took [...] from £879 to £882 pre-market [...] opening in the rings at [...] market turned lower. Stops [...] off, and with Comex down [...] a low for the day of [...]ched before a close on the [Kerb]. Turnover 27,525 tonnes.

	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
	[...]9-.5	+4.5	844.5-5	-2.75
	[...]3.5-9	+4	874-.5	-3
	[...]49.5	+4.5	—	......
	[...]7.5-8	+2	835.5-6.5	-3.5
	[...]7-.5	+2	866-.5	-2.5
	[...]38	+2	—	......
	—	......	65.6	......

[Amalgamate]d Metal Trading reported [that in the mo]rning cash wirebars traded [at ...; t]hree months £883, 82.5, 82, 81.5, 81, 80.5, 80, 79, 80, 79, 79.5, 79, 78, 79. Cathodes: Cash £838, 37.5, three months £867, 67.5. Kerb: Three months £877, 6, 5, 6, 7, 7.5, 8. Afternoon: Wirebars, cash £844.5, three months £877, 76, 75.5, 75, 74, 74.5, 75, 74.5, 74, 74.5. Cathodes: Cash £836.5, three months £866.5. Kerb: Three months £874, 75, 74.5, 74, 73, 73.5, 74.

TIN—Lower on profit-taking. Forward metal started at £6,275, after a rise in the Eastern market overnight, fell to £6,220, and then climbed back to £6,300 on further buying. But in the rings the price slipped lower and there were offerings of cash in anticipation of future deliveries, thus widening the contango. The price fell to £6,210 before advancing on the late Kerb to close at £6,225. Turnover 1,475 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6110-5	-17.5	6060-70	-70
3 months	6260-5	-10	6220-30	-58.5
S'ment	6115	-20	—	......
Standard				
Cash	6110-5	-12.5	6060-70	-70
3 months	6260-5	-10	6220-30	-58.5
S'ment	6115	-15	—	......
Straits E.	‡$1580.125	+12½	—	......
New York	—	......	477.65	-6.37

Morning: Standard, cash £6,130, 20, three months £6,280, 90, 6,300, 305, 300, 290, 85, 90, 70, 60. Kerb: Standard, three months £6,280, 65. Afternoon: Standard, three months £6,260, 55, 50, 40, 30. Kerb: Standard, three months £6,225, 20, 10, 15, 20.

LEAD—Higher, although closing beneath the best, and again climbing to record levels. Price movements were mainly influenced by profit-takings on the one hand and speculative buying and trade short covering on the other. Forward metal traded between £426 and £430 pre-market and fluctuated £425 and £431 in the rings. The closing price on the Kerb was £427 after a day's active trading. Turnover 7,475 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	418-.5	+5	415.5-6.5	+4
3 months	428.5-9	+5	426.5-7	+4
S'ment	418.5	+5	—	......
N.Y. Spot	—	......	26½-28	......

Morning: Three months £430, 31, 30, 29.5, 30, 30.5, 31, 29.5, 30, 28.5, 29, 28.5. Kerb: Three months £427, 6, 8, 9, 30, 29.5. Afternoon: Three months £428, 27, 27.5, 27, 27.25, 27.5, 27, 26.5, 28, 25.5, 26, 26.5, 27. Kerb: Three months £426.5, 27, 27.5, 27.

ZINC—Steady, subject to the same influence as lead. The movements of copper also affected the market. Pre-market, forward metal moved between £436 and £442. In the rings it climbed to £444.5 before falling away and closing on the Kerb at £439.5. Turnover 9,125 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	423.5-4	+4	422-3	+4
3 months	440-.5	+4.5	438-9	+3.75
S'ment	424	+4	—	......
Prm. West	—	......	37	......

Morning: Three months £444, 43, 43.5, 44, 44.5, 44, 43.5, 43, 42, 41.5, 41, 40, 40.5, 41, 40.5. Kerb: Three months £440. Afternoon: Three months £439, 39.5, 38, 38.5, 39. Kerb: Three months £438.5, 37.5, 39.

* Cents per pound. † On previous unofficial close. ‡ $M per picul.

[...]ndex 01-351 3466 May Coffee 3572½-3581½

SILVER

Silver was fixed 3.45p an ounce higher for spot delivery in the London bullion market yesterday, at 272.5p. U.S. cent equivalents of the fixing levels were: Spot 485.3c, up 5.7c; three-month 471.4c, up 6.1c; six-month 478.8c, up 6.4c, and 12-month 494.5c, up 6.8c. The metal opened at 270½-271½p (482-484c) and closed at 269½-270½p (480½-482½c).

SILVER per troy oz.	Bullion fixing prices	+ or —	L.M.E. close	+ or —
Spot	272.5p	+3.45	270p	+0.5
3 months	281.2p	+3.55	278.9p	+0.45
6 months	290.2p	+3.5	—	......
7 months	—	......	290.8p	+0.5
12 months	308p	+3.5	—	......

LME—Turnover 348 (367) lots of 10,000 ozs. Morning: Three months 281.5, 1.7, 1.6, 1.7, 1.0, 80.8, 80.7. Kerbs: Three months 280.5, 0.7, 0.6. Afternoon: Three months 280.2, 80.0, 80.1, 80.0, 79.5, 9.7, 9.5, 9.3, 9.2, 9.1, 9.0. Kerbs: Three months 279.0, 8.8, 8.9, 9.0, 8.8, 8.6, 8.5, 8.6.

COCOA

Combination of consumer buying and Commission House short covering was sufficient to push prices higher, absorbing producer selling in the process, to close fully steady, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
No. 6 Cont'rt			
March	2488.5-70.0	+88.07	2470.0-10.8
May	2450.0-55.0	+85.00	2460.0-380.0
July	2485.0-08.0	+91.00	2411.0-582.0
September	2327.0-29.0	+89.00	2355.0-285.0
December	2186.0-85.5	+88.75	2180.0-142.0
March	2126.0-35.0	+85.00	2133.0-087.0
May	2 80.8-95.0	+85.00	2082.8

Sales: 6,886 (4,474) lots of 10 tonnes.

International Cocoa Agreement (U.S. cents per pound): Daily price for Feb. 23 168.31 (164.69). Indicator prices Feb. 24: 15-day average 172.14 (172.49); 22-day average 171.62 (171.37).

GRAINS

THE BALTIC—Imported grains remained generally quiet and price changes were marginal, brokers said.

Wheat: Canadian Western Red Spring No. 1, 13½ per cent., June-July £89.00 Tilbury. U.S. Dark Northern Spring, No. 2, 14 per cent., Feb.-mid-March £94.15; April-mid-May £87.70; June £88.65; July £89.20 transhipment East Coast. U.S. Hard Winter No. 2 Ordinary unquoted. EEC Feed March £87.50, April £88.25 East Coast.

Maize: No. 3 Yellow American/French March £83.50, April £84.80 East Coast. Other grades unquoted.

Barley: EEC Feed Canadian unquoted.

MARK LANE—Brokers reported a generally quiet but steady market for English cereals. Parcel transactions included March parcels of English feed barley to East Anglia £84 a tonne and March to Wales £86 a tonne. Denaturable wheat sold to East Anglia £91 April-June and March to Hampshire and Oxfordshire £88.50 a tonne. Sellers levels were unchanged.

LONDON GRAIN FUTURES MARKET (GAFTA)—Wheat, steady. Closing: March 86.00, May 88.95, Sept. 91.75, Nov. 94.70, Jan. 97.70. Business: March 86.10-86.00, May 88.95-88.80, Sept. 91.80-91.65, Nov. 94.75-94.70, Jan. nil. Sales: 53. Barley, steady. Closing: March 80.30, May 83.55, Sept. 87.55, Nov. 90.55, Jan. 93.40. Business: March 80.35-80.10, May 83.65-83.35, Sept. 87.85-87.50, Nov. 90.85-90.55, Jan. 93.55. Sales: 81.

HGCA—Ex-farm spot prices Feb. 24. Other milling wheat: Hants, W. Sussex £87.50, N. Lincolnshire £86.50. Feed Wheat: Hants, Sussex £85.90, N. Lincolnshire £85.15. Feed barley: Hants, Sussex £82.20, N. Lincolnshire £80.45.

U.K. monetary coefficient for week beginning Feb. 28 expected to remain unchanged.

EEC IMPORT LEVIES—Effective today (in order current levy plus March, April and May. Previous in brackets). In units of account per tonne. Common wheat—81.08, nil, nil, nil (same); Durum wheat—125.19, nil, nil, nil (124.43, 0.85, 0.85, 2.75); Rye—80.95, nil, nil, 4.56 (same); Barley—40.58, 0.78, 0.76, 1.01 (same); Oats—39.90, 0.38, 0.38, 3.01 (38.86, 0.38, 0.38, 3.78); Maize (other than hybrid for seeding)—50.99, 2.63, 2.63, 4.14 (59.99, 2.63, 2.63, 3.80); Millet—58.03, 0.75, 0.75, nil (same); Grain sorghum—59.91, nil, nil, 0.75 (59.91, nil, nil, 1.15). Also for flours. Wheat or mixed wheat and rye flours—125.11 (same); Rye flour—96.91 (same).

COFFEE

Market was very strong despite minor profit-taking at the close in the near months. The increase in the Colombian coffee assessment price, the reported higher El Salvador registration price, together with market expectations that Brazil would increase export prices by the week-end buoyed the market.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	3555-60	+148.5	3565-440
May	3577-79	+165.0	3610-470
July	3575-77	+165.5	3610-490
September	3607-10	+191.0	3615-510
November	3640-50	+210.0	3640-5[..]
January	3635-65	+210.0	3655-565
March	3660-66	+252.5	3655-625

Sales: 6,693 (5,886) lots of 5 tonnes.

ICO Indicator prices for Feb. 23 (U.S. cents per pound): Colombian Mild Arabicas 261.00 (256.00); unwashed Arabicas 270.00 (265.00); other mild Arabicas 260.50 (255.50); Robustas 264.00 (260.00). Daily average 262.25 (257.75).

RUBBER

EASIER opening on the physical market. Fair interest at lower levels, closing steady. Lewis and Peat reported a Malaysian godown price of 201 (204½) cents a kilo (buyer, April).

No. 1 R.S.S.	Yesterday's close	Previous close	Business Done
April	54.50-56.80	54.25-55.00	—
May	55.50-57.00	55.25-56.00	—
Apr-Jne	56.60-57.00	56.70-56.85	56.10-55.50
Jly-Sep	60.60-60.85	60.50-60.70	60.75-60.50
Oct.-D'c	64.20-64.50	64.46-64.60	64.40-65.80
Jan-M'r	66.65-66.70	66.80-66.85	66.30-66.20
Apr-Jne	68.25-68.40	68.25-68.75	—
Jly-Spt	70.25-71.50	71.00-71.50	—
Oct-Dec	71.50-75.00	72.45-72.50	—

Sales: 154 (393) lots of 15 tonnes.

Physical closing prices (buyer) were: Spot 53.5p (53.0); April 52.5p (52.25); May 53.75p (same).

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstock prices at representative markets Feb. 24. GB cattle 57.26p per kglw (+0.66); U.K. sheep 141.5p per kg. est. dcw (+2.41); GB pigs 49.5p per kglw (+0.9). England and Wales—Cattle numbers down 2.3 per cent., average 57.48p (+1.06); Sheep down 16.0 per cent., average 143.5p (+2.3); Pigs up 4.3 per cent., average 49.5p (+0.8). Scotland—Cattle down 40.8 per cent., average 56.48p (−0.82); Sheep down 7.2 per cent., average 140.3p (+3.0); Pigs up 81.3 per cent., average 53.7p (−0.7).

SMITHFIELD (pence per pound)—Beef: Scotch killed sides 44.0 to 47.0. Ulster hindquarters 50.0 to 52.0, forequarters 32.0 to 35.0.

Veal: English fats 42.0 to 50.0. Dutch hinds and ends 58.0 to 65.0.

Lamb: English small 44.0 to 58.0, medium 53.0 to 56.0, heavy 50.0 to 54.0. Scotch medium 33.0 to 56.0, heavy 50.0 to 54.0. Imported frozen NZ PL new season 42.0 to 43.0.

Pork: English under 100 lbs 30.0 to 36.0, 100-120 lbs 30.0 to 34.0, 120-160 lbs 29.0 to 31.0.

COVENT GARDEN (prices in sterling)—Imported produce: Oranges—Spanish: Navels/Bloods 2.90-3.20; Jaffa: Shamouti 3.35-4.10; Egyptian: 2.70; Cypriot: Ovals 2.90-3.40; Moroccan: 2.60-2.80. Mandarines Spanish: 2.60-2.70; Satsumas 2.80, Wilkings 3.30-3.80. Lemons—Italian: 2.20-3.60; Cypriot: 1.80-3.30; Jaffa: 3.10-3.60. Grapefruit—Jaffa: 2.85-3.40; Cypriot: 3.00-3.20, 4 boxes 2.30-2.30. Plums—S. African: per pound, Wickson 0.34-0.38, Gaviota 0.34-0.38, Rea Ace 0.30, Harry Pickstone 0.36-0.38. Grapes—Spanish: Almeria 4.00; South African: Queen of the Vineyard 0.00, Alphonse 10.00. Dates—Algerian: 0.30-0.35; Tunisian: 0.32-0.34. Apples—French: Golden Delicious 1.95-2.50, Stark Crimson 2.00-2.40, Granny Smith 3.30-3.50; Italian: per pound, Starking 0.09, Romes 0.09, Belforts 0.08; Tyrolean: Starking, cell-pack 0.10. Pears—per pound Italian: Passacrassane 1.30; S. African: Clapp's Favourite 31 lb 3.70, Williams Bon Chretien cartons 5.50. Tomatoes—Canary: 2.70-3.40. Onions—Spanish: 6.80-7.40; American: 5.30-6.40; Polish: 6.80; South African: 10 kilos 2.40-2.60; Dutch: 55 lb 4.50. Cucumbers—Canary: per 10/16 prepacked 1.80-2.50; Dutch: 3.00-3.20. Celery—Israeli: prepacked 4.00; Spanish: 3.00-3.30. Potatoes—Canary: 12½ kg 3.00, 25 kg 5.00, Single Cross 25 kg 5.00; Cypriot: 7.20; Majorca: 4.50; Egyptian: 4.80. Cauliflowers—Jersey: 24 5.00; French: 24 5.00.

English produce: Apples—per pound Bramley's Seedling 0.07-0.12, Cox's Orange Pippin 0.10-0.16. Pears—per pound Conference 0.10-0.15, Comice 0.12-0.14. Potatoes—per bag 3.50-4.50. Carrots—per net 12 kg 2.00-3.40. Lettuces—per 12, round 1.20-1.50. Cabbages—per net 3.00-3.50. Spring greens—per net 3.00-3.50. Cauliflowers—per 12 2.30, 18 1.80. Swedes—per 28 lb, Devon 1.00. Parsnips—per 28 lb 1.40-1.60. Mushrooms—per pound 0.35-0.40. Rhubarb—per pound 0.16-0.17. Onions—per 25 kg 4.00-5.20. Cucumbers—per box 12 to 30 3.30-3.60.

SOYABEAN MEAL

Market opened £2 up in line with a firm Chicago close. With the physical market remaining at Wednesday's levels, prices tended to drift on profit-taking, and eased further when Chicago failed to carry through on Wednesday's strength, SNW Commodities.

	Yesterday Close	+ or —	Business Done
	£ per tonne		
April	158.50-58.6	+0.95	161.10-58.40
June	160.60-61.1	+1.20	162.10-60.70
August	160.80-61.0	+0.25	162.20-61.00
October	158.70-58.8	+1.25	160.50-58.90
December	154.80-55.0	+0.35	156.50-54.80
February	155.00-56.0	-1.80	—
April	155.00-56.0	-1.80	—

Sales: 380 (131) lots of 10 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar) £119.00 (£120.00) a tonne cif for Feb.-March-April shipment. White sugar daily price was fixed at £132.00 (£135.00).

After initially trading at overnight levels, market appeared sold out. Short-covering stimulated technical rally and prices gained some £3, C. Czarnikow reports.

Sugar Pref. Comm Conn.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
March	118.95-21.05	120.00-20.50	121.75-18.00
May	125.75-26.00	125.60-25.75	126.00-22.50
Aug.	127.45-27.60	126.50-26.50	127.75-25.25
Oct.	129.70-30.00	128.45-28.50	130.00-28.00
Dec.	132.60-33.00	132.40-32.50	133.00-31.75
March	137.4-37.50	136.50-36.95	138.25-36.50
May	141.50-39.90	140.00-40.00	141.50-39.60

Sales: 5,074 (4,955) lots of 50 tonnes.

* Tate and Lyle ex-refinery price for granulated basis white sugar was £224.00 (same) a tonne for home trade and £187.00 (£186.00) for export.

EEC IMPORT LEVIES—Effective to-day for de natured and non-denatured sugar, in units of account per 100 kilos (previous in brackets). White: 20.79 (20.42). Raw: 17.94 (17.61).

JUTE

DUNDEE, Quiet—Prices c and f U.K. for March-April shipment BWC £242, BWD £231. Tossa: BTB £255, BTC £243, BTD £234. Calcutta goods firm. Quotations c and f U.K. for Feb. shipment 10-oz 40-inch £8.45, 7½-oz £6.43 per 100 yards. March £8.61, £6.50, April-June £8.79, £6.62. B twills £28.01, £27.88, £27.66 for the respective shipment period. Yarn and cloth prices very firm.

LONDON—Steady. Bangladesh White "C" grade Feb.-March $420, Bangladesh White "D" grade Feb.-March $403. A long ton.

CALCUTTA—Steady. Indian Spot Rs.535.00. Dundee Tossa Four Spot Rs.535.00 value. A bale of 400 lbs.

WOOL FUTURES

LONDON—Firmer with sellers reserved and in sympathy with overseas terminal, reports Bache.

Australian Greasy Wool	Yesterday's Close	+ or —	Business Done
March	233.0-34.0	+2.0	232
May	241.8-42.0	+3.0	241.0-38.5
July	247.5-48.5	+2.25	246.5-46.0
October	254.5-55.0	+3.50	—
December	259.0-62.0	+2.50	—
March	261.5-64.0	+1.25	—
May	265.5-68.0	+0.25	—
July	265.0-70.0	+0.50	—

Sales: 27 (8) lots of 1,000 kilos.

BRADFORD—Trading very quiet and the market was not actually being tested. Dealers said that as long as wool sale reports indicate some softness these seems little chance of business developing at Bradford on any worthwhile scale.

SYDNEY GREASY (In order buyer, seller, business): March 342.8, 342.5, 341.5-339.0; May 348.0, 349.0, 348.0-346.1. Sales: 83. Micron Contract: July 354.2, 355.5, 354.5-352.5; Oct. 354.5, 355.5, 355.0-353.5; Dec. 356.0, 356.2, 356.1-355.0; March 360.9, 361.0, 361.0-360.4; May 361.6, 362.0, 361.8-361.0; July 363.7, 364.5, 364.0-364.0. Sales: 231.

★

LONDON PALM OIL—Effect of local Malaysian demand plus fob inquiries with reported reduced supply of palm oil continues to strengthen the Rotterdam physical and London terminal, Sime Darby reports. Close: April 317½-316, June 317½-313½, Aug. 316½-316, Oct. 316½-314, Dec. 317-314, Feb. 317-314, April 317-314. Sales: 14 lots.

★

COTTON, Liverpool—Spot and shipment sales amounted to 31 tonnes, bringing the total for the week so far to 1,344 tonnes. Limited operations centred on nearby requirements and little forward interest was shown. Activity remained in Middle Eastern and Latin American types, F. W. Tattersall reports.

★

COPRA, Philippines—March to May $410-$415 resellers a tonne cif North European ports.

New measuring system for Danish bacon

By Our Commodities Staff

DANISH BACON-PIG farmers are to be encouraged to improve the meat content of their produce by the use of a new system linked to a microcomputer which immediately calculates the percentage of meat in the sides.

A basic price will be fixed weekly for pigs with a 52 per cent. meat content. Stock with above the 52 per cent. content will attract a premium while those with less than 52 per cent. will fetch reduced prices.

Mr. Knud Skouby, managing director of Danish Agricultural Producers (DAP), said the new system was yet another step forward in the efforts by the Danish bacon factories to further improve the quality of bacon supplied to the British market.

PRICE CHANGES

Prices per ton unless otherwise stated

	Feb 24 1977	+ or —	Month ago
Metals			
Aluminium (w)	£650	......	£650
Free Market (cif)	$955-970	.. ..	$950-985
Copper			
Cash Wire Bars (w)	£844.75	-2.75	£835.5
3 months do. do. (w)	£874.25	-3.0	£866.75
Cash Cathode (w)	£836	-3.5	£826
3 months do. do. (w)	£866.25	-2.5	£857
Gold Troy oz.	$140.125	+0.5	$132.375
Lead Cash (w)	£416	+4.0	£335.75
3 months (w)	£426.75	+4.0	£347.25
Nickel (w)	£3.159	......	£3.214
Free Market (cif)(lb)	$2.0-2.16	......	$1.98-2.1
Platinum (b) troy oz.	£97	......	£97-102.5
Free Market	£95.75	+0.6	£93.1
Quicksilver (76lb) (c)	$175-185	......	$188-170
Silver Troy oz.	272.5p	+3.45	260.55p
3 months	281.2p	+3.55	268.7p
Tin Cash (w) §	£6.065	-70.0	£5.705.5
3 months (w)	£6.225	-58.5	£5,702.5
Wolfram 22.04 lb. cif	$178 181	+1.0	$155-161
Zinc Cash (w) §	£422.5	+4.0	£411
3 months (w)	£438.5	+3.75	£426.75
Producers (w)	$795	......	$795
Oils			
Coconut Malayan	‡		‡
Groundnut	£570	......	£587
Linseed Crude (z)	‡		‡
Palm Malayan (u)	$515z	+5.0	$468
Soyabean (u)	‡		‡
Seeds			
Copra Philip (z)	$410u	......	$375
Gr'nuts Nigerian	‡		‡
Linseed Can. No. 1	£194.8q	+1.2	£191.5
Grains			
Barley EEC	‡	......	£85
Home Futures	£80.3w	+0.15	£84.4
Maize			
French No. 3 Am.	£83.5w	......	£85
S.A. Yellow	‡		‡
Wheat			
No. 1 Red Spring	£89A		†
No. 2 Hard Winter	‡		†
Australian (f.a.q.)	‡		†
English Milling (k)	£89w	......	£90
Cocoa Shipment (u)	£2 578	+86.0	£2,375.5
Futures May	£2,452.5	+85.0	£2,265
Coffee Futures			
May (z)	£3,578	+165.0	£2,697.5
Cotton 'A' Index			
cent	84.35	-0.2	80.95
Jute LJABWC (z)	$42[.]	......	$39 7
Rubber kilo	53.5p	+0.5	53.5p
Sisal EASL (u)	600	......	600
Sugar (Raw) (z)	£119	-1.0	£126
Wooltops 64s kilo	298p	-1.0	306p
Cloves (Madagascar)	$5 000r	......	$5,000
Pepper White ton	$2 600r	......	$2 445
Black ton	$2,625r	......	$2 150

*Nominal. † Seller. ‡ Unquoted. § Un official close. & indicative price. a Seller's quotation. b U.K. and Commonwealth refined. c Uganda Robusta standard grade indicative prices f.o.b. Mombasa U.S cents a pound. d Bangladesh white "C" h June-July. i Jan.-March. j April-June. k March-April. q April-May. r Feb.-March. u Metric tons. w March.

FINANCIAL TIMES

Feb. 24	Feb. 23	Month ago	Year ago
276.82	275.23	262.24	182.52

(Base: July 1, 1952=100)

REUTER'S

Feb. 24	Feb. 23	Month ago	Year ago
1646.5	1641.0	1618.1	1254.1

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Feb. 24	Feb. 23	Month ago	Year ago
Spot	405.83	400.90	389.24	310.54
Futures	401.41	398.15	382.79	302.71

(Average 1924-25-26=100)

MOODY'S

Moody's	Feb. 24	Feb. 23	Month ago	Year ago
Sple Commty	916.6	911.6	888.0	780.3

(December 31, 1931=100)

GRIMSBY FISH—Supply fair, demand good. (Prices at ship's side unprocessed per stone): Shelf cod £3.00-£3.50; codlings £2.90-£3.50; large haddock £2.70-£3.60, medium £2.80-£3.60, small £3.00-£3.20; large plaice £2.00-£2.40, medium £2.00-£2.80, best small £2.00-£2.20; skinned dogfish large £5.00-£5.50; lemon soles £7.00-£7.50; rockfish £2.70-£2.80; reds £1.40-£1.70; saithe £1.80-£2.10.

U.S. Markets

Limit gains in cocoa and coffee

NEW YORK, Feb. 24.

COFFEE closed limit up on continued trade and speculative buying. Cocoa finished limit up in pools following London, which was stronger on trade buying and short-covering. Copper eased on chartist selling. Cotton opened higher on constructive consumption reports but eased on local selling electing Commission House stops to close weak. Soyabeans closed higher on Commission House buying, Bache reports.

Cocoa—Ghana spot 193 nom. (189 nom.). Bahia spot 193 nom. (189 nom.). March 179.20 (172.25), May 173.00 (169.00), July 166.25, Sept. 164.10, Dec. 155.85, March 148.35, May 143.75 nom., July 139.45 nom. Sales: 474.

Coffee—"C" Contract: March 271.00 (255.97), May 260.49 bid (237.49), July 260.93 bid, Sept. 262.33 bid, Dec. 252.54 bid, March 257.52 bid. Sales: 227.

Copper—March 66.10 (66.60), April 66.60 (67.10), May 67.20, July 68.20, Sept. 69.20, Dec. 70.30, Jan. 70.70, March 71.40. Sales: 6,296.

Cotton—No. 2: March 74.60-74.50 (76.35), May 74.50-74.75 (76.20), July 74.30-74.75, Oct. 72.00, Dec. 68.20-68.40, March 68.70-68.90, May 69.00-69.20, July 69.55-70.25. Sales: 6,250.

‡Gold—March 141.70 (140.30), April 142.10 (140.70), June 143.40, Aug. 144.80, Oct. 146.20, Dec. 147.60, Feb. 149.00, April 150.50, June 152.00. Sales: 3,796.

†Lard—Chicago loose unavail. (22.00). New York prime steam 23.50 traded (25.50 traded).

††Maize—March 257½-258½ (257½), May 265-265½ (264), July 270½-271, Sept. 273½-273½, Dec. 277, March 282½.

§Platinum—April 163.60 (164.30), July 166.60 (167.00), Oct. 169.10, Jan. 171.50, April 174.50, July 177.50. Sales: 517.

‡‡Silver—March 460.80 (461.60), April 463.30 (464.30), May 466.00, July 470.30, Sept. 475.80, Dec. 483.10, Jan. 485.60, March 490.50, May 495.50. Sales: 20,500. Handy Harman spot 461.00 (461.30).

*Soyabeans—March 769-769 (762½), May 774½-773 (768½), July 773-774, Aug. 769, Sept. 735-734, Nov. 711½-712, Jan. 717-716½, March 721, May 723.

bSoyabean Meal—March 221.00-222.00 (219.50), May 224.70-225.00 (222.70), July 226.50-226.00, Aug. 225.50-225.80, Sept. 217.00-218.50, Oct. 203.00-203.50, Dec. 201.00-201.50, Jan. 201.50, March 201.00-201.50, May 201.50-201.70.

Soyabean Oil—March 23.08-23.10 (23.03), May 23.42-23.40 (23.37), July 23.70-23.75, Aug. 23.75, Sept. 23.50, Oct. 23.80, Dec. 23.65-23.60, Jan. 23.70, March 23.80, May 23.80-23.85.

Sugar—No. 11: Spot 8.17 (7.97). March 8.25-8.26 (7.99), May 8.56-8.57 (8.31), July 8.68-8.65, Sept. 8.67-8.69, Oct. 8.70-8.73, Jan. 8.75-9.00, March 9.00-9.03, May 9.03, July 9.05-9.07. Sales: 4,809.

Tin—472.00-483.25 asked (482.00-486.00 asked).

**Wheat—March 284½-284½ (283½), May 293½-294 (292½), July 301½-301½, Sept. 309-309, Dec. 319-319½, March 328½.

WINNIPEG, Feb. 24. ††Rye—May 102.70 (102.60 bid), July 104.00 (103.98 bid), Oct. 103.80 nom., Nov. 102.50 nom.

cOats—May 85.00 (86.00 bid), July 83.30 asked (84.00), Oct. 85.00 nom.

§Barley—May 94.10 (94.10), July 94.20 bid (94.40 asked), Oct. 94.20 bid.

dFlaxseed—May 290.30 bid (290.00 bid), July 292.50 asked (282.20 asked), Oct. 285.00 nom., Nov. 292.00 nom.

Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence 391½ (386½).

All cents per pound ex-warehouse unless otherwise stated. * Cents per 60-lb bushel ex-warehouse. ‡ $'s per troy ounce—100-ounce lots. † Chicago loose $'s per 100 lbs—Dept. of Ag. prices previous day. Prime steam f.o.b. NY bulk tank cars. ‡‡ Cents per troy ounce ex-warehouse. b New "B" contract in $'s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. § $'s per troy ounce for 50-ounce units of 99.9 per cent. purity delivered NY. ** Cents per 60-lb bushel in store. †† Cents per 56-lb bushel ex-warehouse, 5,000 bushel lots. c Cents per 24-lb bushel. § Cents per 48-lb bushel ex-warehouse, 5,000 bushel lots. d Cents per 56-lb bushel ex-warehouse, 1,000-bushel lots.

STOCK EXCHANGE REPORT

Equities close below best on end-Account influences

Index up 0.2 at 402.3 after 406.1—Golds pushed higher

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb. 14	Feb. 24	Feb. 25	Mar. 8
Feb. 28	Mar. 10	Mar. 11	Mar. 22
Mar. 14	Mar. 24	Mar. 25	Apr. 5

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

After the recent strong market recovery, investors were yesterday unwilling to extend commitments ahead of several important company announcements. However, the firm trend was maintained in the earlier dealings with the FT 30-share index reaching its best of the day at 11 a.m. when it was 4 points up to match the February 2 closing peak, 406.1, of the four-month rise. The bulk of the day's improvement was held in subdued trading awaiting the ICI results which came about 1 p.m., but the figures, coming at the lower range of expectations, provided no inspiration for buyers and prices of the leaders tended to ease back on small end-Account profit-taking. The closing index was a net 0.2 up at 402.3. The FT-Actuaries three main indices were a shade harder with the All-Share at 169.11, while Household Goods gained an above-average 3.4 per cent. with the help of Hoover's jump on the better than expected profits, but the Banks index eased against the trend on disappointment with Barclays figures.

Yield and interest rate considerations helped Gilt-edged into higher ground in the early trade, but quotations closed unchanged apart from a few scattered mixed movements in the shorts. South African Golds made further headway in front of next week's IMF gold auction, and the Gold Mines index put on 3.6 for a four-day gain of 14.9.

Apart from the big company trading announcements, the main interest in equities was provided by a continuing high level of speculative activity in special situations. Ultra were prominent again on Dowty's return with a new offer, while Slimma came to the fore on the bid approach from Tootal. Official markings numbered 6,946 compared with Wednesday's 6,830 and the week-ago total of 5,561. The mixed nature of price changes overall was illustrated by the narrowing of the rises:falls ratio to 5:4 in FT-quoted equities.

Gilts dither

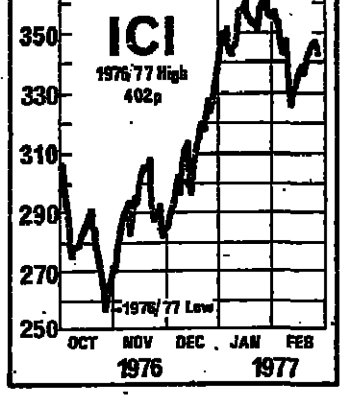
A slightly harder tendency in British Funds began to fade following the indication that Minimum Lending Rate was likely to remain at 12 per cent. this week, whereas some optimists had been hoping for a resumption of the lower trend. Selective shorts made early headway and Treasury 9½ per cent., 1980, rose to 95⅞ before closing with a net gain of ⅛ at 95⅝, but several other high-coupon issues lost ground on the day. Longer maturities after having been both marginally harder and lower finally reverted to overnight levels; apart from one or two sizeable orders in the morning session, business here was generally light. Corporations awaited to-day's debut of the Corporation of London 13½ per cent. 1983, stock which, after having been heavily oversubscribed, is thought likely to open at a premium of ¼ to a point premium, in £10-paid form.

Institutional and arbitrage offerings of investment currency reversed the recent strong upward movement in the premium which, although meeting with some demand, still fell 6½ points to 107¼ per cent., the lowest of the day. Yesterday's SE conversion factor was 0.7299 (0.7105).

Barclays disappoint

After last Friday's disappointing performance by Lloyds, Barclays yesterday announced preliminary profits (£197m.) some £2m. below the lowest market estimate. The shares were marked down on the news from 260p to 250p before they picked up to close the day at the overnight level of 255p; the volume of business was also disappointing. Midland gave up 3 to 257p, after 253p, and National Westminster, the next to report on Wednesday, closed 2 off at 225p. Lloyds were a like amount easier at 205p, after 210p. Overseas issues tended mixed. Commercial Bank of Australia added 5 to 230p on the interim results, but Hongkong and Shanghai shed 7 to 347p. Discounts were inclined harder with Union 10 to the good at 320p and Alexanders 8 better at 208p.

Little of interest took place in Insurances. Ahead of preliminary announcements, next Monday and Tuesday respectively, Commercial Union eased 2 to 113p and Royals shed 4 to 304p. Alexander Howden cheapened a penny to 142p despite the satisfactory results and Sedgwick Forbes gave up 2 to 258p; the latter's annual figures are expected on Monday.



Although finishing marginally below the day's best, distillery shares still closed with widespread gains following the announcement by Distillers that it will increase its wholesale prices from March 1; the latter finished 3 better at 130p, after 131p, while Highland, 64p, and Glenlivet, 200p, put on 2 and 3 respectively. A. Bell continued firmly, rising 10 to 178p, after 180p, for a two-day gain of 13. Breweries also made progress. M. Brown improved 4 to 76p, while Bass Charrington, 98p, and A. Guinness, 135p, both finished 2 better. Allied ended a penny harder at 67p and Scottish and Newcastle closed 1½ firmer at 52½p.

Gains were in the majority in Buildings following moderate business. Thames Plywood rose 7 to 42p on the sharply higher first-half profits, while Parker Timber were 5 higher at 82p for a similar reason. Leyland Paint and Wallpaper improved 3 to 42½p on the chairman's remarks about prospects. Improvements of 6 and 7 respectively were recorded in G. H. Downing, 122p, and H. and R. Johnson-Richards Tiles, 175p.

Slightly firmer at 349p in front of the results, ICI drifted down on disappointment with the figures to close at the lower end of market estimates to close 5 down on the day at 342p after a fairly active trade. Elsewhere in Chemicals, Fisons ended 5 lower at 307p, after 315p; the results are due March 8. Storey Bros. edged forward 4 to 58p.

Elys (Wimbledon) continued to attract speculative interest among Stores, rising 8 to 68p, after 70p, for a three-day advance of 33. Buying in a thin market left W. H. Smith "A" 13 to the good at 376p, while F. W. Woolworth improved a shade more to 60p; the latter's results are due March 9.

Dowty increases bid

Ultra Electronics stole the limelight in Electricals once again yesterday when the shares jumped 30 more to a 1976-77 high of 213p on news that original bidders—Dowty Group (4 off at 112p)—has increased its share-exchange offer for Ultra to around 224p per share; Ultra's 1985-94 edged forward 2 more points to £208. Rival bidders Racal Electronics declined 7 to 252p. Elsewhere, speculative buying in a thin market prompted an improvement of 20 to 125p in Henry Wigfall, while Ward and Goldstone were popular at 98p, up 6.

Bowthorpe were also active but only a shade better at 63p, on continuing bid hopes. EMI pushed up 5 to 217p ahead of next Thursday's interim results, but elsewhere among the leaders GEC ended a penny easier at 137p. Philips' Lamp reacted 20 to 342p in sympathy with the decline in the investment currency premium.

Abundant Engineering features failed to include the leaders which, with exception of John Brown, up 6 on renewed investment demand to 165p, closed unaltered. Hawker rose to a 1976-1977 high of 518p but closed unchanged at 514p. Slothert and Pitt blossomed again after Wednesday's lull and ended 9 up at 132p, while Wagon Industrial rose 6 to 90p and Martonair a like amount to 116p. Pegler-Hattersley were similarly better at 178p, Amalgamated Power rose 5 further to 74p and Peter Brotherhood 4 to 72p. News of the good start to the year lifted Hill and Smith 5 to 35p. Ratcliffs (Great Bridge) improved 2 to 46p on the good results, but Braithwaite lost 5 to 260p following the denial of a bid or approach.

Confusing reports and speculation about pending alterations in the Shipbuilding nationalisation Bill aroused considerable activity in the sector. Robb Caledon jumped 11 to 45p, Hawthorn Leslie 7 to 45p, after 47p, and Vosper 4 to 93p, after 98p. Swan Hunter, 58p, and Richardsons Westgarth, 44p, were both around 4 higher.

Foods took on an easier bias in the late trade. J. Lyons stood out with a fall of 5 to 64p, while United Biscuit, 142p, and Tate and Lyle, 260p, gave up 3 and 4 respectively. Brooke Bond, at 51p, closed marginally cheaper following the previous day's rise of 3½ on news of the disposal of the company's Argentinian ranching interests. Carr's Milling reacted 4 to 40p on the termination of bid talks with West Cumberland Farmers, while FMC, a firm market of late on bid hopes, eased a penny to 84p following Press comment. Fitch Lovell moved up 2 to 50p, while gains of 3 were seen in J. Bibby, 126p, and Fox's Biscuits, 115p. Reflecting the bid situation, Gateway Securities A hardened 1½ more to 72p in sympathy with a rise of 3 to 235p in Lindsod. Hotels and Caterers were little changed. Myddleton finished 3 up at 83p following the interim figures. Mount Charlotte Investments firmed ½ to 5¼p, but Wheeler's Restaurants declined 5 to 110p.

BTR wanted

Aggressive buying ahead of next Tuesday's preliminary results prompted a gain of 13½ to 173½p in BTR, while Hoover "A" jumped 21 to 288p on the better-than-expected results. Press comment helped Johnson Matthey add 15 to 364p, while buying ahead of the results due March 9 left Steetley 7 to the good at 163p. Demand in a thin market left Robert McBride 11 up at 195p and Whatman Reeve Angel 10 higher at 285p. Still reflecting favourable comment, Gomme Holdings added 5 at 52p. Leigh Interests were a similar amount dearer at 51p and Dunbee-Combex closed 9 harder at 225p. Further consideration of the dividend forecast which accompanied the rights issue announcement saw English China Clays edge forward a penny more to 84p, while Andre Silentbloc also gained a penny to 38½p on the results. New Equipment, on the other hand, lost 2½ to 9p on the profits setback. The leaders suffered a late reaction largely on end-Account influences. Glaxo touched 458p, but closed 6 lower on the day at 448p, while Beecham ended unaltered at 400p, after 404p. Unilever, results due next Tuesday, were also unaltered at 452p. Turner and Newall resisted the late easier trend and closed 5 better at 152p; the results are due March 8.

Wilmot-Breeden featured in Motors, improving 4 to 66p in active trading. Automotive Products were raised 5 to 64p, while Clayton Dewandre, 91p, and Lucas Industries, 287p, put on 3 and 5 respectively. Robert Stocks finished 5 higher at 140p following news of the acquisition of John Starkey Transport. T. Cowie finished 2 cheaper at 24p despite the chairman's optimistic annual statement.

Newspapers with North Sea interests turned irregular; Thomson gained 5 at 445p, but Associated closed 3 lower at 174p. Elsewhere, Inveresk hardened 3 to 37p ahead of forthcoming results; they were announced March 9 last year. Dolan Packaging lost the turn to 98p following the interim results.

Oils succumb late

Oils finally succumbed to general market influences after having been higher for much of the day. British Petroleum, for instance, saw an early gain of 14 whittled away in the after-hours trading to only 4 at 904p; American demand was non-existent, the support emanating from local sources. Similarly, Shell ended unchanged at 508p, after 514p, while Burmah eventually shed 3 to 65p and Ultramar a like amount to 155p. End-Account profit-taking brought Tricentrol back 6 to 138p, but LASMO continued firmly, gaining 5 more to 325p. Responding belatedly to Press comment, Ball and Collins moved up 6 to 44p. Elsewhere, the reversal in the investment dollar premium took a toll on Royal Dutch, which reacted a point to £44.

Isolated firm spots were still evident in Properties, but the trend very late was basically lower. Land Securities were then 3 cheaper at 164p, while MEPC were 4 down at 72p and English the turn off at 43½p. Town and City reacted on the disappointing half-yearly results to close 1¼ lower at 7½p, while second-thoughts about the interim figures saw Estates Property fall 5 to 44p. On the other hand, renewed investment demand in a market short of stock lifted Hammerson A 10 to a 1976/77 peak of 400p, while new-time buying raised Dorrington Investment 2 to 32½p.

Textiles were notable for a flurry of speculative activity which left selected shares sharply better. Slimma were outstanding with a jump of 34 to 91p on the announcement that the company is having bid talks with Tootal (2 cheaper at 35p), while sympathetic rises of 6 and 12 respectively were seen in Lister, 33p, and Sirdar, 46p. Dealings were resumed in Jackson and Steeple (suspended on Wednesday at 28p) following the company's statement that John Hawkins and Sons had built up an 18.3 per cent. shareholding at 40p per share and that talks were taking place which might lead to a general offer being made at this price; Jackson and Steeple 12 to 40p.

Bernard Sunley also attracted fresh interest and rose to 133p before closing a net 2 better at 131p. Daejan improved on the increased first-half revenue to 40p, but the proposals to reorganise medium-term finance by offering for sale all, or part, of the interest in the Victoria Centre, Nottingham, made little impression on Capital and Counties, slightly easier at 14p.

Lonrho edged up 2 to 82p following the first quarter's figures in Overseas Traders.

London Trust Deferred dominated proceedings in otherwise quiet Investment Trusts, rising 7 to 166p in active trading following Press comment on the company's takeover potential. Challenge Corporation continued firmly in Financials, rising 4 to 153p on further consideration of the interim report.

Against the easier trend of Shipping, Furness Withy hardened 3 to 245p for a two-day rise of 8. S. Reardon Smith were out of favour following news of the trading loss, the Ordinary falling 7 to 173p and the A losing 7 to 69p.

Golds strong again

The recent enthusiasm for South African Golds continued for a fourth successive day in the wake of the strong demand for bullion which was finally 50 cents higher at $140.125 (after $141.25 at the afternoon fixing), its best closing level since January 2, 1976, and a rise of $3.50 over the past four days.

The Gold Mines index put on 3.6 more to 122.7, its highest since December 10 and a four-day gain of 14.9. Demand for shares was reported from all quarters, particularly the Cape, and although interest from the U.S. in late trading was mild, prices closed at the day's best.

U.K. interest was centred mainly on the medium priced issues such as East Driefontein which advanced 40 to 560p and a two-day gain of 65, and Kloof, which closed 20 better at 380p. In the heavyweights Randfontein were a point up at £24 and Free State Geduld ½ to the good at £10.

Among the marginals Venterspost were outstanding at 145p, a gain of 15.

Financials mirrored Golds, the London-registered stocks, Gold Fields, which figured prominently in our list of active stocks, jumped 10 to 168p, after 171p, while Charter rose 4 to 135p also in a good two-way trade.

There was a good deal of interest in the overseas-based stocks including Union Corporation which added 10 more at ... for a two-day rise of 23 and De Beers which put on 7 to ... UC Investments were 4 better at 160p following the annual results and chairman's statement; the shares have risen 23 this week.

With the exception of Peko Copper, which hardened another 2 to 30p, Australians generally drifted in idle trading reflecting the tone of overnight domestic markets.

In the Irish-Canadian sector further Irish buying left Northgate 25 higher at 425p for a two-day gain of 70.

FINANCIAL TIMES STOCK INDICES

	Feb. 24	Feb. 23	Feb. 22	Feb. 21	Feb. 18	Feb. 17	A year ago
Government Secs.	65.40	65.43	65.09	64.92	65.15	65.09	[illegible]
Fixed Interest	64.60	64.77	64.84	64.78	64.76	64.74	[illegible]
Industrial Ordinary	402.3	402.1	397.7	389.0	393.0	390.4	[illegible]
Gold Mines	122.7	119.1	116.1	112.9	107.8	108.4	[illegible]
Ord. Div. Yield	5.77	5.77	5.84	5.98	5.89	5.92	[illegible]
Earnings Y'ld % (full)	18.46	18.44	18.64	19.09	18.81	18.90	[illegible]
P/E Ratio (net) (*)	7.81	7.81	7.73	7.53	7.66	7.62	[illegible]
Dealings marked	6,946	6,830	6,146	5,811	5,576	5,561	[illegible]
Equity turnover £m.	—	67.93	68.10	89.86	50.17	61.86	[illegible]
Equity bargains total	—	16,017	15,172	12,851	13,344	14,164	[illegible]

10 a.m. 404.0. 11 a.m. 404.1. Noon 403.3. 1 p.m. 404.8. 2 p.m. 404.5. 3 p.m. 404.1.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=[illegible].

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1976/77 High	1976/77 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	66.45	56.88	127.4	49.18
Fixed Int.	65.84	53.57	150.4	50.53
Ind. Ord.	420.8	265.3	549.2	49.4
Gold Mines	146.8	78.8	442.3	42.5

S.E. ACTIVITY

	Feb. 24	Feb. 23
Daily—		
Gilt-Edged	196.6	198
Industrials	233.3	241
Speculative	65.9	51
Totals	158.1	155
5-day Av'rge.		
Gilt-Edged	194.9	191
Industrials	213.2	205
Speculative	54.0	45
Totals	142.5	136

F.T.—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS ‡ GROUPS & SUB-SECTIONS. Figures in parentheses on the right show number of stocks per section.

Equity Groups	Thurs. Feb. 24 Index No.	Day's Change %	Est. Earnings Yield % (Max.) (Corp. Tax 52%)	Gross Div. Yield % (ACT at 35%)	Est. P/E Ratio (Net) (Corp. Tax 52%)	Est. P/E Ratio (Nil)	Wed. Feb. 23 Index No.	Tues. Feb. 22 Index No.	Monday Feb. 21 Index No.	Friday Feb. 18 Index No.	Year ago (approx.) Index No.	1976/77 High	1976/77 Low	Since Compilation High	Since Compilation Low
1 (1) CAPITAL GOODS (178)	156.91	+0.6	18.69	6.20	7.91	7.84	154.93	152.82	149.93	151.77	155.14	160.06	100.65	206.57	50.71
2 (2) Building Materials (31)	132.81	+0.5	19.27	7.42	7.73	7.71	131.67	130.59	127.53	129.14	145.97	151.65	[illegible]	[illegible]	44.27
3 (3) Contracting, Constructn. (22)	209.81	−0.1	20.83	5.22	7.36	7.36	209.93	208.35	204.10	207.47	238.24	250.40	152.08	389.55	71.48
4 (4) Electricals (16)	300.63	+0.4	16.57	4.82	8.94	8.73	299.21	294.29	287.70	292.90	276.09	307.56	190.64	350.04	84.71
5 (5) Engineering (Heavy) (12)	200.96	+1.0	24.41	6.54	5.91	5.83	198.67	198.55	193.42	196.53	174.58	200.96	[illegible]	[illegible]	64.39
6 (6) Engineering (General) (66)	143.75	+0.7	18.65	6.50	7.86	7.82	142.76	140.10	138.40	139.50	140.93	144.41	90.20	168.59	45.44
7 (7) Machine and Other Tools (9)	74.33	+2.5	25.26	8.02	6.00	5.97	72.46	72.60	71.47	72.52	57.05	74.33	45.25	136.70	19.96
8 (8) Miscellaneous (22)	133.78	+1.7	18.46	6.96	7.96	7.88	131.59	130.31	127.58	128.26	134.65	141.46	[illegible]	[illegible]	49.65
11 (9) CONSUMER GOODS (DURABLE) (53)	138.82	+0.4	18.75	5.19	7.96	7.97	138.26	137.24	133.91	135.13	139.82	141.46	85.12	237.78	58.39
12 (10) Lt. Electronics, Radio TV (15)	164.48	−0.3	17.68	3.87	8.44	8.45	164.92	163.88	149.63	150.75	159.21	160.34	87.31	407.41	[illegible]
13 (11) Household Goods (13)	149.90	+3.4	19.50	7.91	7.67	7.61	144.93	144.45	145.79	144.72	184.70	187.36	104.20	263.52	63.92
14 (12) Motors and Distribution (25)	90.90	+0.6	20.05	8.29	7.46	7.49	90.38	89.54	87.31	88.37	88.47	95.15	58.10	170.69	19.91
21 (13) CONSUMER GOODS (NON-DURABLE) (170)	148.70	+0.4	15.97	6.69	9.24	9.15	148.18	146.25	143.70	145.26	159.47	162.45	104.41	226.08	61.41
22 (14) Breweries (15)	160.93	+2.5	15.74	7.47	9.56	9.56	157.06	155.14	152.16	153.47	172.40	174.93	118.71	221.87	69.47
23 (15) Wines and Spirits (6)	169.20	+3.3	14.91	6.70	10.29	10.29	163.83	162.60	161.34	162.48	162.17	180.87	124.71	267.40	78.88
24 (16) Entertainment, Catering (15)	187.99	+0.7	16.78	7.36	9.07	9.05	186.71	183.29	179.08	181.83	200.68	213.26	131.99	242.58	54.83
25 (17) Food Manufacturing (21)	163.18	−0.5	17.55	5.68	8.87	8.24	163.92	160.67	158.24	159.65	169.18	173.44	[illegible]	[illegible]	59.67
26 (18) Food Retailing (17)	148.96	−0.7	15.85	5.44	10.44	10.44	151.06	149.89	148.56	150.05	157.78	163.68	[illegible]	[illegible]	54.20
32 (19) Newspapers, Publishing (16)	239.79	+0.8	10.81	4.47	14.01	14.01	237.98	236.51	230.97	234.34	184.16	239.79	148.46	360.29	55.08
33 (20) Packaging and Paper (12)	104.13	+0.8	17.44	7.74	8.80	8.80	103.30	102.79	100.64	102.08	112.50	114.20	78.34	134.69	43.46
34 (21) Stores (35)	121.76	−0.6	12.73	5.87	12.12	12.11	122.48	120.76	118.21	119.56	135.79	135.24	79.47	204.39	52.63
35 (22) Textiles (24)	145.34	+1.2	14.05	8.20	11.18	10.15	143.58	140.56	137.38	140.66	178.94	183.85	[illegible]	[illegible]	62.66
36 (23) Tobaccos (3)	203.08	+0.2	22.71	8.85	5.85	5.85	202.58	201.58	199.11	200.58	224.64	241.39	[illegible]	[illegible]	94.34
37 (24) Toys and Games (6)	63.20	+1.1	19.90	7.62	6.74	6.71	62.28	62.03	61.51	62.03	67.58	87.53	[illegible]	[illegible]	20.92
OTHER GROUPS (95)															
42 (25) Chemicals (26)	214.21	+0.4	15.65	5.41	8.73	8.75	213.32	212.49	206.72	211.62	219.77	251.35	155.10	251.58	71.20
44 (26) Office Equipment (8)	96.54	+0.1	16.46	5.86	8.51	8.51	96.45	95.29	93.10	93.78	95.47	100.18	[illegible]	[illegible]	45.34
45 (27) Shipping (10)	443.90	−0.4	18.16	5.95	11.79	10.75	445.84	442.21	433.59	438.38	391.33	465.80	308.48	517.00	90.80
46 (28) Miscellaneous (51)	156.20	−0.1	16.69	7.73	8.99	8.99	156.38	153.78	150.84	152.04	172.22	[illegible]	[illegible]	[illegible]	50.59
49 (29) INDUSTRIAL GROUP (496)	157.16	+0.4	16.74	6.33	8.73	8.66	156.57	154.76	151.89	153.60	163.27	[illegible]	[illegible]	[illegible]	59.01
51 (30) Oils (4)	461.86	+0.2	8.94	3.64	13.11	13.06	460.76	479.05	476.40	478.14	336.86	[illegible]	[illegible]	[illegible]	[illegible]
59 (31) 500 SHARE INDEX	185.01	+0.5	15.20	5.81	9.35	9.16	182.38	180.56	177.67	179.40	177.80	[illegible]	[illegible]	[illegible]	[illegible]
61 (32) FINANCIAL GROUP (100)	127.90	−0.5	—	6.18	—	—	128.60	126.93	124.82	127.09	143.93	[illegible]	[illegible]	[illegible]	[illegible]
62 (33) Banks (6)	147.65	−0.6	25.16	6.53	6.12	6.12	148.48	147.61	145.68	147.66	176.67	[illegible]	[illegible]	[illegible]	[illegible]
63 (34) Discount Houses (10)	162.19	+1.8	—	8.88	—	—	159.39	159.39	159.70	160.42	180.58	186.92	97.72	[illegible]	61.40
64 (35) Hire Purchase (5)	113.28	−1.5	6.95	6.09	30.88	30.88	115.00	114.07	111.89	112.20	126.10	132.10	[illegible]	[illegible]	[illegible]
65 (36) Insurance (Life) (10)	107.79	+0.4	—	7.02	—	—	107.34	103.99	103.99	105.66	128.72	[illegible]	[illegible]	[illegible]	[illegible]
66 (37) Insurance (Composite) (7)	101.42	−1.0	—	7.29	—	—	102.29	100.95	99.56	101.06	112.07	[illegible]	[illegible]	[illegible]	[illegible]
67 (38) Insurance Brokers (10)	262.84	—	11.69	5.81	12.77	12.77	262.96	259.89	256.88	258.12	232.51	276.94	178.27	276.90	65.86
68 (39) Merchant Banks (15)	65.03	+0.5	—	5.52	—	—	64.69	64.17	63.86	64.16	90.45	[illegible]	[illegible]	[illegible]	31.21
69 (40) Property (31)	168.72	−1.1	4.30	3.34	37.75	36.09	170.56	167.63	163.92	167.58	187.01	[illegible]	[illegible]	[illegible]	56.01
70 (41) Miscellaneous (5)	80.77	+0.1	18.67	10.67	8.28	8.38	80.67	81.69	80.83	81.85	90.08	[illegible]	[illegible]	[illegible]	[illegible]
71 (42) Investment Trusts (50)	163.43	+0.5	3.30	4.81	31.50	31.50	162.97	161.66	161.26	163.54	171.15	[illegible]	[illegible]	[illegible]	71.60
81 (43) Mining Finance (4)	92.04	+2.7	11.50	6.50	11.03	10.79	89.61	88.35	85.51	85.04	95.30	[illegible]	[illegible]	[illegible]	66.31
91 (44) Overseas Traders (17)	243.48	+0.3	17.49	6.17	8.01	7.96	242.33	241.25	238.83	240.44	235.93	[illegible]	[illegible]	[illegible]	97.37
99 (45) ALL-SHARE INDEX (671)	169.11	+0.3	—	5.82	—	—	168.68	166.93	164.31	166.11	166.89	174.64	115.29	228.16	61.92

FIXED INTEREST	Thurs., Feb. 24 Index No.	Yield %	Wed. Feb. 23	Tuesday Feb. 22	Monday Feb. 21	Friday Feb. 18	Thurs. Feb. 17	Wed. Feb. 16	Tuesday Feb. 15	Year ago (approx.)	1976/77 High	1976/77 Low	Since Compilation High	Since Compilation Low
1 Consols 2½% yield	—	13.59	13.58	13.67	13.67	13.68	13.64	13.54	13.54	16.50	[illegible]	[illegible]	[illegible]	[illegible]
2 20-yr. Govt. Stocks (6)	50.90	[illegible]	50.92	50.59	50.43	50.66	50.72	50.81	50.57	51.19	53.45	42.31	115.42	38.97
3 20-yr. Red. Deb. & Loans (15)	50.15	14.73	50.11	50.11	50.11	50.25	50.36	50.15	50.26	50.58	[illegible]	[illegible]	[illegible]	[illegible]
4 Investment Trust Prefs. (15)	49.66	14.00	49.75	49.73	49.73	49.82	49.91	49.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Coml. and Indl. Prefs. (20)	68.29	13.22	68.11	68.20	68.07	68.06	67.95	67.88	66.61	71.97	54.89	[illegible]	[illegible]	[illegible]

Section or Group	Base Date	Base Value	Section or Group	Base Date	Base Value
Overseas Traders	31/12/70	100.00	Food Retailing	29/12/67	114.13
Engineering (Heavy)	31/12/71	153.84	Insurance Brokers	29/12/67	96.67
Engineering (General)	31/12/71	153.84	Mining Finance	29/12/67	100.00
Machine and Tools	31/12/71	153.84	All Other	10/4/62	100.00
Toys and Games	16/1/70	135.72			
Office Equipment	16/1/70	128.20			
Industrial Group	31/12/70	128.20			
Miscellaneous Financial	31/12/70	128.06			
Food Manufacturing	29/12/67	114.13			

† Redemption yield. FT-Actuaries indices are compiled by Extel Communications Limited (a member of the Exchange Telegraph Group) on an IBM 370 computer.

A record of the indices, cost 60p, is obtainable from FT Business Enterprises, 10, Bolt Court, London, EC4. ...

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1976-77 high	1976-77 low
Cons. Gold Fields	25p	17	168	+10	220	113
ICI	£1	16	342	− 5	402	256
Bowthorpe	10p	15	63	+ ½	63	30
Distillers	50p	14	130	+ 3	138	95½
Slimma	25p	14	91	+34	91	34
Charter Cons.	25p	13	135	+ 4	109	101
Courtaulds	25p	13	109	—	169	73
BP	£1	12	904	+ 4	950	557
Barclays Bank	£1	11	255	—	350	190
BATs Defd.	25p	11	220	—	243	183
Shell Transport	25p	11	508	—	524	352
P. & O. Defd.	£1	10	134	− 2	138	87
Rank Org.	25p	10	186	− 4	195	98
BTR	25p	8	173½	+13½	187	116
Dunlop	50p	8	93	− 1	98	57

The above list of active stocks is based on the number of bargains recorded yesterday in the Official list and under Rule 163(1) (e).

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 22	Mar. 7	May 19	May 31
Mar. 8	Mar. 21	Jun. 9	Jun. 21
Mar. 22	Apr. 4	Jun. 23	July 5

Calls were dealt in Grand Metropolitan, Ladbroke, Ultramar, F. W. Woolworth, P. and O. Deferred, Lonrho, J. Bibby, Burmah Oil and Convertible, Swan Hunter, Town and City, Loraine, J. Lyons, London Brick, English Property, British Land, Oil Exploration, BP, Lee Refrigeration, Matthews Holdings, Martin Black and Cadbury Schweppes. Puts were done in Dunlop and Shell Transport, while doubles were arranged in Grand Metropolitan, British Land, Premier Consolidated Oil and P. and O. Deferred. A short-dated put was done in Dunlop.

For rate indications, see end of Share Information Service.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	6	5	50
Corpns. Dominion and Foreign Bonds	15	1	44
Industrials	343	279	1,033
Financial and Prop.	96	117	338
Oils	5	10	17
Plantations	8	8	27
Mines	73	15	37
Recent Issues	5	3	21
Totals	551	438	1,564

Lowestoft seeks more fishermen

A RECRUITMENT campaign is being launched in Lowestoft, Suffolk, to get 200 young men to take up fishing as a career to replace skilled men lost to the industry because they have taken jobs in the North Sea oil and gas industry.

NEW HIGHS AND LOWS FOR 1976/77

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1976-77

NEW HIGHS (78)

FOREIGN BONDS (3)
Antofagasta Rly — Uruguay 3½pc
Ireland 7¾pc '81-83

BEERS (2)
Bell (Arthur) — Invergordon

BUILDINGS (7)
Costain (R.) — Hoveringham
Countryside — Do. Rest'd Vtg.
Mowlem (J.) — Newarthill
Ibstock Johnsen

CHEMICALS (5)
Allied Colloids — Storey Bros.
Blagden Noakes — Willows Francis
Hickson & Welch

CINEMAS (1)
H.T.V.

STORES (1)
Mothercare

ELECTRICALS (6)
Bowthorpe — Ultra Electronic
Revrolle Parsons — Unitech
Rotaflex G.B. — United Scientific

ENGINEERING (15)
Amalg'd Power — Ratcliffs (G.B.)
Baker Perkins — Rotork
Brown (John) — Simon Eng'g
Butterfield-Harvey — Spencer Gears
Capper-Neill — Turriff
Elliott (B.) — Wellman Eng'g
Eva Inds. — Wolf Electric Tools
Hawker Siddeley

FOODS (4)
Bassett (Geo.) — Gateway Sec. A
Fox's Biscuits — Nurdin Peacock

HOTELS (1)
Mount Charlotte

INDUSTRIALS (12)
Bridport-Gundry — Leigh Ints.
British Vita — MK Refrigeration
Cawoods — McBride (Robt.)
Dwek Group — Press (Wm.)
Hyman (I. & J.) — R.F.D.
Lead Inds. — Whatman Reeve Ang

MOTORS (2)
Automotive — Clayton Dewandre

NEWSPAPERS (2)
Benn Bros. — Thomson Org.

PAPER (1)
Smith (David)

PROPERTY (1)
Hammerson 'A'

SHIPBUILDERS (1)
Vosper Thornycroft

SHIPPING (2)
Furness Withy — Hunting Gibson

TEXTILES (4)
Dawson Intl. — Jackson & Steeple
Do 'A' — Slimma

TRUSTS (1)
Scot. & Merc. 'A'

OILS (1)
LASMO 'OPS'

RUBBERS (1)
Malayalam

TEAS (3)
Assam Invs. — Warren Plants.
Jokai

MINES (2)
Beralt Tin — Geevor

NEW LOWS (1)

ENGINEERING (1)
Fleming

MONEY MARKET

Signal on bill rate

Bank of England Minimum Lending Rate 12 per cent. (since February 3, 1977)

The authorities gave an indication of their wish to see a moderation in the size of the fall in the average rate of discount at to-day's Treasury bill tender in the London money market yesterday.

Day-to-day credit was in short supply and the authorities lent a large amount overnight at Bank of England Minimum Lending Rate, to eight or nine discount houses, and gave the signal on the bill tender by lending a small amount for seven days to the same number of houses, at MLR.

Assistance was also given by buying a large number of Treasury bills from the houses and by purchasing a small amount of local authority bills and eligible bank bills.

Banks carried forward surplus balances and the market was also helped by a small decline in the note circulation. On the other hand there was a net take-up of Treasury bills to finance an excess of revenue payments to the Exchequer over Government disbursements, settlement of gilt-edged sales, and repayment of the previous day's market advances.

Discount houses paid 11½-11⅞ per cent. for secured call loans in the early part and closing balances were taken at around 12 per cent.

Rates in the table below are nominal in some cases.

Feb. 24 1977	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	[illegible]	[illegible]	—	—	—	[illegible]	—	—	—
2 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days or 7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice, others seven days' fixed. ... Finance House Base Rates (published by the Finance Houses Association) ... Clearing Bank Deposit Rates for small sums at seven days' notice ... Treasury Bills: Average tender rates of discount ...

BASE LENDING RATES

A.B.N. Bank
Allied Irish Banks Ltd.
American Express Bank
Anglo-Portuguese Bank
Henry Ansbacher
Banco de Bilbao
Bank of Credit & Cmce.
Bank of Cyprus
Bank of N.S.W.
Banque du Rhone S.A.
Barclays Bank
Barnett Christie Ltd.
Bremar Holdings Ltd.
Brit. Bank of Mid. East
■ Brown Shipley
Canada Permanent AFI
Capitol C & C Fin. Ltd.
Cayzer, Bowater Co. Ltd.
Cedar Holdings
■ Charterhouse Japhet
C. E. Coates
Consolidated Credits
Co-operative Bank
Corinthian Securities
Credit Lyonnais
G. R. Dawes
Duncan Lawrie
Eagil Trust
English Transcont.
First London Secs.
First Nat. Fin. Corp.
First Nat. Secs. Ltd.
Goode Durrant Trust
■ Antony Gibbs
Greyhound Guaranty
Grindlays Bank
■ Guinness Mahon
■ Hambros Bank
■ Hill Samuel
C. Hoare & Co.
Julian S. Hodge
Hongkong & Shanghai
Industrial Bank of Scot.
Keyser Ullmann
Knowsley & Co. Ltd.
Lloyds Bank
London & European
London Mercantile
Midland Bank
■ Samuel Montagu
■ Morgan Grenfell
National Westminster
Norwich General Trust
P. S. Refson & Co.
Rossminster Accept's
Royal Bk. Canada Trust
Schlesinger Limited
E. S. Schwab
Security Trust Co. Ltd.
Shenley Trust
Standard Chartered
Trade Development Bk.
Twentieth Century Bk.
United Bank of Kuwait
Whiteaway Laidlaw
Williams & Glyn's
Yorkshire Bank

■ Members of the Accepting Houses Committee.
* 7-day deposits on sums of £10,000 and under ... up to £25,000 ... over £25,000 ...
† Demand deposits ...
‡ Call deposits over £1,000 ...

CORAL INDEX: Close 401-406

INSURANCE BASE RATES

† Property Growth
Cannon Assurance
† Address shown under Insurance and Property Bond table.

AUTHORISED UNIT TRUSTS

[illegible]

INSURANCE, PROPERTY, BONDS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

NOTES

[illegible]

)D PRICE MOVEMENTS

	Feb. 24 £	Week ago £	Month ago £
sh A.1 per ton	915	915	965
sh A.1 per ton	915	915	945
Special per ton ...	890	890	940
r A.1 per ton§	890	890	940
(packet)			
er 20 lbs	9.54- 9.82	9.54- 9.82	—
ish per cwt†	57.12	57.12	57.12
sh salted per cwt†...	58.65-60.48	58.65-60.48	58.65-60.48
ish cheddar rindless			
tonne	1,051.13	1,051.13	1,051.13
er tonne	896.50	896.50	896.50
e-prod. Standard ...	3.80- 4.00	4.00- 4.15	3.90- 4.10
Large	3.95- 4.20	4.10- 4.30	4.10- 4.25
	Feb. 24 per pound p p	Week ago per pound p p	Month ago per pound p p
ish killed sides (ex-CF)	44.0—47.0	45.0—48.0	45.0—49.0
forequarters	—	31.0—35.0	34.0—36.0
sh	53.0—56.0	50.0—56.0	46.0—50.0
PLs-PMs	42.0—43.0	40.0—43.0	—
sh ewes	—	—	—
weights)	29.0—36.0	29.0—37.0	30.0—38.0
r chickens	31.0—34.5	31.0—34.0	30.0—33.0

don Egg Exchange price per 120 eggs. † Delivered. very February 26-March 5.

NDRÉ SILENTBLOC LIMITED

Preliminary Statement

Meeting held to-day in respect of the year ended 3 October recommended that a final dividend of 10.6% be paid on 22 all shareholders on the Company's Register at the close of 1 March 1977, making with the interim already paid a total 7.6%.

ts for the year are set out below:

		Year to 3.10.76		Year to 28.9.75
(Invoiced Sales VAT and Inter sactions)		£10,963,258		£10,072,679
ROFIT		1,014,379		971,928
AYABLE		114,167		97,747
ORE		900,212		874,181
tation	72,653		220,503	
xation	333,366	406,019	246,900	467,403
		494,193		406,778
NARY ITEMS		—		(29,678)
ILABLE PRIATION		£494,193		£377,100
(7.0%)	67,300		60,090	
sed	101,968	169,268	93,836	153,926
ROFITS serves		324,925		223,174
		£494,193		£377,100

General Meeting will be held on Friday, 25 March 1977 at the Registered Office, Manor Royal, Crawley, West Sussex.

By Order of the Board
977 A. R. HALLOWAY, Secretary

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1976/7 High	Low	Stock	£	+ or −	Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
103¼	97⅞	Treasury 11½pc '77‡‡	100¾xd	−⅓₂	11.42	10.33
95¼	91⅝	Treasury 3pc '77‡‡	95¼	......	3.15	9.94
96	92¼	Transport 4pc '72-77	95⅝	......	4.18	9.65
99⅛	90½	Treasury 9pc 1978‡‡	98⅝xd	......	9.12	10.38
101½	93⅝	Treasury 10½pc '78‡‡	99⅞	−⅛	10.52	10.64
95¼	89⅝	Exch. 5pc '76-78	94⅝xd	......	5.27	8.62
103¾	92⅞	Treasury 11½pc '79‡‡	99⅝xd	......	11.54	11.69
91¼	82¼	Treasury 3pc '79‡‡	90⅝xd	......	3.31	7.07
91½	82¼	Electric 4¼pc '74-79	90⅝xd	......	4.69	8.36
100⅞	88⅞	Treasury 10½pc '79‡‡	97⅝	+⅛	10.78	11.69
90⅛	82¼	Electric 3½pc '76-79	89¼	......	3.92	7.96
97⅛	84½	Treasury 9pc 1980‡‡	97⅛xd	......	9.27	10.16
96	84⅞	Treasury 9½pc '80‡‡	95½	+⅛	9.95	11.21
89¼	78¼	Treasury 3½pc '77-80	88⅝	......	3.96	7.54
90½	80	Funding 5¼pc '78-80‡‡	89⅝	......	5.86	8.94
103⅝	96	Exchequer 13pc 1980‡‡	102⅞	−⅛	12.64	12.01
103⅝	88½	Treasury 11½pc 1981‡‡	99⅞	−⅛	11.50	11.50
86	76¼	Treasury 3½pc 1979-81	84⅞xd	+⅛	4.12	8.00
95⅝	82⅞	Treasury 9¾pc 1981‡‡	95⅜xd	......	10.22	11.21
105⅛	96¼	Exch. 12¾pc 1981‡‡	102⅞	−⅛	12.43	11.97
94⅛	79⅞	Treasury 8¼pc '80-82‡‡	93⅝	......	9.10	10.24
81	69¾	Treasury 3pc '82‡‡	81	......	3.70	7.66

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 37% (based on $US1.7684 per £)

Conversion factor 0.7296 (0.7165)

CANADIANS

1976/7 High	Low	Stock	£	+ or −	Div. Gross	Cvr	Y'ld Gr's
14⅛	10	Bk. Montreal $2	10¾	......	$1.00	—	5.4
20¼	14½	Bk. Nova Scotia $1	15⅞	......	86c	—	3.2
46¾	33¼	Bell Canada 25c	38¾	......	$3.72	—	5.6
23⅝	12	Bow Valley‖	17¼	−⅞	10c	—	0.3
10⅛	780p	Brascan‖	920p	−20	10⅛	—	6.4
29⅞	18⅛	Can. Imp. Bk. $2	19⅞	......	$1.40	—	4.5
16⅝	10⅝	Can. Pacific $5	13	−⅛	80c	—	3.8
29⅝	25⅞	Do. 4pc Deb. £100	29⅛	......	4%	—	13.8
37⅞	17½	Gulf Oil Can.‖	21⅛	−⅝	$1.06	—	2.9
670p	340p	Hawker Sid. Can.‖	370p	......	36c	—	5.7
33	20¼	Hollinger $5	23	......	$1.94	—	6.1
18	10⅞	Hudson's Bay‖	12⅞	......	60c	—	2.8
34⅛	25½	Hud. B. Oil G. $2½	27	−¼	$1.52	—	0.1
22¼	15	Imperial Oil‖	17⅝	−⅝	86.4c	—	2.9
31½	19½	Inco	24¾	−⅛	$1.60	—	3.8
920p	660p	Int. Nat. Gas $1	805p	−5	80c	—	5.8
25½	14⅞	Massey Ferg.‖	15¼	......	$1.00	—	3.8
27⅝	20¼	Pacific Pet. $1	23	......	86.4c	—	2.2
42p	24p	Place Gas $1	34½p	−½	—	—	—
30¼	20¼	Rio Algom	21⅞	......	$1.00	—	2.8
27¼	17⅞	Royal Bk. Can. $2	19⅝	......	$1.38	—	4.2
28⅛	16⅞	Seagram Co. C$1	18⅞	+⅛	86.4c	—	2.7
18⅝	12⅝	Tor. Dom. Bk. $1	13⅞	......	76c	—	3.2
11⅞	830p	Trans. Can. Pipe 33½c	10¼	−¼	95c	—	5.4

S.E. List Premium 37% (based on $1.7759 per £)

BANKS AND HIRE PURCHASE

1976/7 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
390	250	ANZ $A1	277	+2	tQ18c	—	4.0	—
250	125	Alexanders D. £1	208xd	+8	12.83	—	9.5	—
£110	£80	Algemene Fl.100	£102	......	tQ21%	2.6	5.1	10.5
490	235	Allen Harvey £1	410	......	25.0	—	9.4	—
128	76	Allied Irish	110	......	tQ6.89	—	6.3	—
195	90	Arbuthnot L. £1	120	+5	8.28	—	10.9	—

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

TRUSTS—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

1976/7 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
10	8	Burma Mines 17½p.	9	......	0.1	ф	1.8
35½	15½	Charterhall 5p	26½	......	—	—	—
90	28	Colby Mines $C1	74	+1	—	—	—
990	420	Cons. Murch. 10c	460	−10	Q140c	ф	22.0
440	245	Northgate C$1	425	+25	—	—	—
239	132	R.T.Z.	193	+2	g5.96	2.1	4.8
112	55	Sabina Inds. C$1	62	+2	—	—	—
£15¾	£10	Tara Expln. $1	£12¼	......	—	—	—
50	32½	Tehidy Minerals 10p	50	......	t1.19	2.2	3.7
145	84	Yukon Cons. C$1	123	......	Q6½c	ф	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ф Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ¶ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 33

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	18	......
Ash Spinning	34	......
Bertam	16	......
Bdg'wtr. Est. 50p	144	+1
Clover Croft	21	......
Craig & Rose £1	360	......
Dyson (R.A.)	23	......
Ellis & McHdy	59	......
Evans F'r'k. 10p	25	......
Evered	11½	+1
Fife Forge	49	......
Finlay Pkg. 5p	26	......
Graig Ship. £1	320	......
Hallam Sleigh 10p	9½	......
Higsons Brew	78	......
I.O.M. Stm. £1	125	......
Holt (Jos.) 25p	200	......
Kleen-e-Ze	42	......
Lovell's Ship £1	120	......
N'thn. Goldsmith	26	......
Pearce (C. H.)	80	......
Peel Mills	13	......
Robb Caledon 5p	45	+11
Sayers 12½p	19	+1
Sheffield Brick	74	......
Sheff. Refrshmt.	150	......
Shiloh Spinn	21	......
Sindall (Wm.)	49	......

IRISH

Conv. 9% '80/82	£86¾xd	+⅛
Alliance Gas	49	−1
Arnott	225	......
Carroll (P.J.)	135	......
Clondalkin	36	......
Concrete Prods.	73	......
Heiton (Hldgs.)	28xd	......
Ind. News	44	......
Ins. Corp.	130	......
Irish Distillers	55	......
Irish Ropes	106	......
Jacob	45	......
Sunbeam	16	......
T.M.G.	118	......
Unidare	50	......

OPTIONS

3-month Call rates

Industrials

A. Brew	6½
A.P. Cement	18
B.S.R.	10
Babcock	8
Barclays Bank	25
Berry Wiggins	5
Beecham	32
Boots Drug	12
Bowaters	16
B.A.T.	23
British Oxygen	6
Brown (J.)	17
Burton 'A'	6
Cadburys	5
Cavenham	10
Courtaulds	10
Debenhams	8
Distillers	13
Dunlop	8½
Eagle Star	11
E.M.I.	20
Gen. Accident	17
Gen. Electric	17
Glaxo	36
Grand Met.	7
G.U.S. 'A'	18
Guardian	18
G.K.N.	25
Hawker Sidd.	40
House of Fraser	8
I.C.I.	25
"Imps"	7
I.C.L.	24
Inveresk	7
Ladbroke	11
Legal & Gen.	12
Lex Service	5
Lloyds Bank	22
"Lots"	5
London Brick	5
Lonrho	8
Lucas Inds.	20
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
Nat. West. Bank	22
Do. Warrants	9
P & O Dfd.	12
Plessey	7
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	20
Reyrolle	12
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	13
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6

Property

Brit. Land	3½
Cap. Counties	3
E.P.	5
Intereuropean	7
Land Secs.	14
MEPC	7
Peachey	6
Samuel Props.	4½
Town & City	1½

Oils

Brit. Petroleum	60
Burmah Oil	8
Shell	20
Ultramar	14

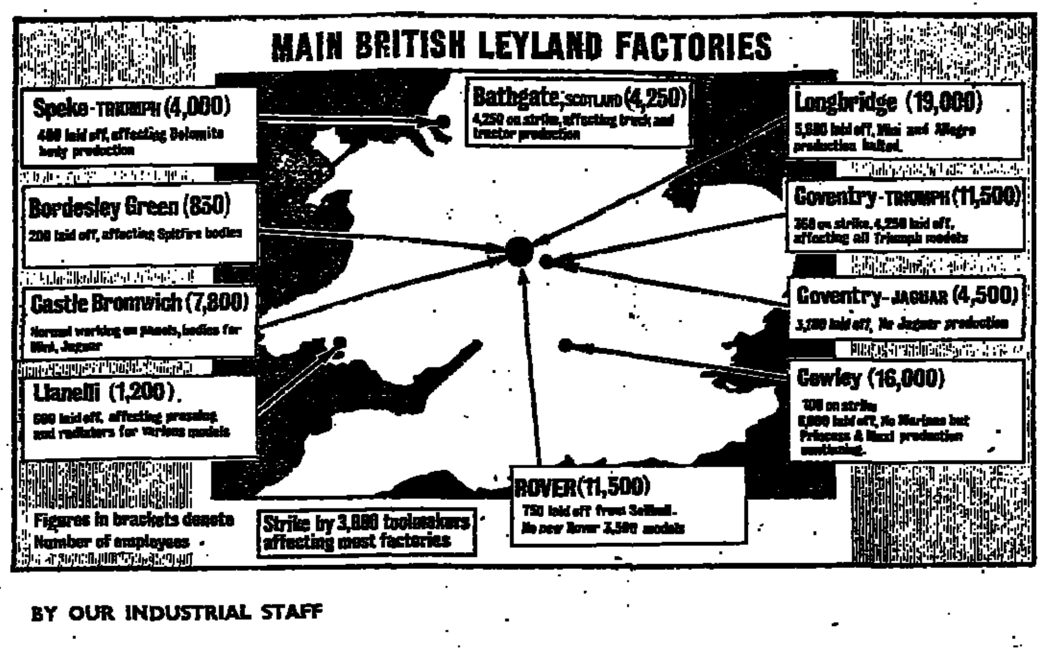
Mines

Charter Cons.	15
Charterhall Fin.	4
Cons. Gold	15
Rio T. Zinc	18

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Friday February 25 1977

Varley ready to warn Leyland workers



BY OUR INDUSTRIAL STAFF

MR. ERIC VARLEY, the Industry Secretary, is considering giving a strong warning to the 160,000-strong British Leyland workforce about the employment consequences of the strikes crippling production.

He is expected to go much further than the caution issued recently, at Longbridge, to shop stewards protesting about the Government's policy of pay restraint. Mr. Varley is likely to make it clear that further Government investment in the State-owned corporation must be conditional upon improved performance.

Concern is mounting within the Industry Department and the National Enterprise Board at Leyland Cars' failure to meet agreed output, productivity and investment targets.

Any intervention by Mr. Varley would signal the Government's alarm and indicate a willingness for closer involvement in solving the corporation's problems.

By last night production of ten Leyland models was halted by five separate disputes and more than 21,000 workers were laid off.

Strikes, by toolmakers in 11 factories have brought Allegro production to a standstill and threatens output throughout the cars group.

Toolroom leaders, demanding separate negotiating procedures to restore differentials, will meet in Birmingham to-morrow. They are unlikely to call off their action in spite of a return to work instruction from the executive of the Amalgamated Union of Engineering Workers.

At Longbridge, workers staged a sit-in and picketed the factory in a new dispute which brought Mini production to a halt. Total lay-offs at the factory rose to 5,600.

Two bright spots for Leyland were the return of crane drivers at the truck and bus division in Lancashire where 1,600 people had been laid off, and the end of the protracted dispute at the Cowley spare parts depot.

Meanwhile, the problems at Ford continued to increase with a strike by 400 truck drivers and picketing at Dagenham. Production of the new Fiesta and the Cortina was stopped, and 7,500 workers made idle.

Government hopes for faster rise in industrial investment

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RECOVERY in capital spending by manufacturing industry is continuing, but only at a very slow rate so far. There will have to be an acceleration if the Government's projected large rise in investment by this sector is to materialise.

The Department of Industry announced yesterday that manufacturing investment rose by about 2 per cent. between the third and fourth quarters of last year to £425m. (1970 prices seasonally adjusted). This was the third successive quarterly rise, but expenditure was still only about 5½ per cent. higher than in the low point in the first quarter.

Over the year as a whole, manufacturing capital spending was 5 per cent. lower than in 1975 (at £1.65bn.) and 22.4 per cent. below the peak in 1970 in real terms.

CAPITAL SPENDING AND STOCKS
(£m. seasonally adjusted at 1970 prices)

		Fixed Capital Expenditure		Changes in stocks		
		Total	Manufacturing Industry	Total	Manufacturing Industry	Materials & fuel
1974	1st	1,181	510	−41	−21	66
	2nd	1,172	502	259	197	61
	3rd	1,136	501	322	358	135
	4th	1,189	511	96	133	14
1975	1st	1,058	471	−52	18	−129
	2nd	1,037	444	−226	−105	−59
	3rd	1,007	416	−225	−234	−133
	4th	945	406	−23	−70	−58
1976	1st	916	402	66	31	−43
	2nd	915	409	−192	−115	−37
	3rd	985	418	35	4	22
	4th	934	425	95	38	−49

Source: Department of Industry

Appreciable

The Department of Industry also announced yesterday that manufacturers' physical stocks increased by £38m. (1970 prices seasonally adjusted) in the fourth quarter. This reflected an appreciable rise in work in progress, which together with a small rise in stocks of finished goods more than offset a decline in stocks of materials and fuel. Wholesalers' and retailers' stocks also rose during the fourth quarter.

Although the manufacturers' stock figures have fluctuated sharply from quarter to quarter, the fourth-quarter rise suggests that the destocking trend may at least have ended after an overall decline of £42m. last year and about £390m. in 1975.

No forecasters expect a significant rise in stocks in the immediate future in view of the economic prospects. While the manufacturing stocks-output ratio fell during 1976 from 106.7 to 102.4, this is still high by historical standards, suggesting caution among producers about manufacturing any big upturn in demand.

Despite the general expectation of a slow rate of overall economic growth all the main investment intention surveys point to a quickening in the recovery in manufacturing spending in 1977. Both the Department of Industry and the CBI surveys project an increase of between 10 and 15 per cent. in manufacturing investment this year compared with 1976.

This is broadly consistent with the Treasury projection of a 19½ per cent. increase between the second halves of 1976 and this year in private-sector manufacturing investment (a narrower definition, excluding steel).

The National Institute this morning forecasts only a 10 per cent. rise in 1977, with hardly any rise at all after the second quarter of 1978.

The official forecasts imply a faster quarterly rate of growth in manufacturing investment from now onwards. But any pick-up here is likely to be offset largely by a fall in capital spending on private housing, ships and North Sea installations.

Capital spending by the distributive and service industries declined slightly further in the fourth quarter of last year and dropped by 4 per cent. in last year as a whole compared with 1975.

Capital spending in the shipping industry again showed sharp fluctuations, with the fourth-quarter figure of about £33m. (1970 prices seasonally adjusted) less than half the outcome for the previous quarter. Shipping investment in 1976 as a whole was about 40 per cent. lower then in the previous year.

Continued from Page 1

Devolution aftermath

convinced that the best method of implementing devolution was the Government Bill.

But the failure of the guillotine resolution by 29 votes on Tuesday has underlined the strong reservations of many MPs.

Ministers were now prepared to consider how the Bill might be improved so that when it finally reached the Statute Book it would reflect the widest possible agreement in Parliament.

In the exceptional circumstances, as well as using the normal processes of the Commons, he was proposing special discussions with other party leaders to explore how wider agreement might be achieved.

The Government proposed that the initial discussions should be on a lateral basis, but wider talks could take place later if thought useful.

Indications are that Ministers are opposed to the formal type of convention proposed at the weekend by Mr. Francis Pym, the Opposition spokesman on devolution, but would prefer more informal talks or possibly the setting-up of a Commons select committee.

The division in the Labour Party over the Bill for direct elections to the European Parliament surfaced yesterday in the Parliamentary Labour Party, when Left-wingers warned the Prime Minister of the opposition he would face when legislation was introduced.

Mr. Callaghan re-emphasised the Government's undertaking to use its best endeavours to take part in elections by May or June next year. He realised that Labour's national executive had grave doubts about the matter, and that very real problems would have to be thrashed out.

He told backbenchers that the Government had to take account of party opinion at home and the views of the other members of the European Community.

If one country could not meet the election schedule, the others would be unable to go forward either. This could have "significant repercussions" in other fields of relations between the Nine.

● Ray Perman, Scottish Correspondent writes: The Labour Party in Scotland welcomed the Government's new initiative on the devolution Bill last night as an attempt to salvage something from the wreck, which many members feel could destroy them politically.

The Scottish party looks to the Government to avoid an election for as long as possible and to keep the devolution commitment alive.

State sector 'needs price checks'

By Elinor Goodman, Consumer Affairs Correspondent

THE nationalised industries will not escape the proposed new price controls, Mr. Robert Maclennan, Under-Secretary for Prices, said yesterday.

In the public sector, where competition could not be relied upon to act as the "first line of defence for the consumer," further checks were needed to ensure that the nationalised industries behaved in a socially accountable manner, he said.

The Government's proposals for replacing the existing cost controls in the Price Code with a new system of specific investigations into prices by a revamped Price Commission would provide such a check.

The impact of the new policy, he said, must be felt upon the prices charged for the goods and services provided by the nationalised industries. Domestic fuel charges and train fares, he pointed out, bore at least as heavily upon the family budget as the prices of goods bought in the shops.

The policy of holding down public sector prices by driving the nationalised industries into deficit had been a "dangerous nonsense" that had simply stored up trouble for both industry and the consumer.

Institute calls for big cut in income tax

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT should consider offering a large cut in income tax to secure a low pay limit from July onwards, even if this pushes public-sector borrowing requirement above the limits set out in the International Monetary Fund Letter of Intent, says the National Institute of Economic and Social Research.

The latest issue of the institute's quarterly Review to-day suggests the linking of a 6 per cent. earnings policy in Phase Three with a £2.5bn. tax cut, even though this might raise the PSBR to £9.2bn. in 1977-78, compared with the Government ceiling of £8.7bn.

The institute says that it is worth taking risks with the PSBR ceiling to secure a "palpably successful attack on inflation," and regrets that a nominal PSBR ceiling should put in jeopardy the possibility of a very tight Stage Three.

The Government should insist on firm agreement before tax reductions were made. In line with other forecasters, the institute estimates that PSBR in 1977-1978 will be at least £1bn. below the Government projection, even after an assumed £800m. reduction in income tax.

Bleak message

It assumes in its main forecast a 12 per cent. rise in earnings in Phase Three, which it believes will be compatible with a reduction in the annual rate of consumer price inflation from 12.2 per cent. this year to 7.3 per cent. over the year, to the fourth quarter of 1978.

The main forecasts have a bleak message for the Government with a low rate of economic growth projected for both this and next year, steadily rising unemployment and a modest recovery in manufacturing investment, faltering after the second quarter of 1978.

The Institute projects an increase in adult unemployment to 1.6m. by the end of 1978, in an analysis of the medium-term prospects, in suggests that to return to full employment, defined as 500,000, within five years would require an annual growth rate over the period of nearly 5 per cent.

Doubts might be raised within Government about the calculations involved in this projection, while the growth and inflation forecasts are also more pessimistic than those of the Treasury.

The Institute is still much more bullish than the Government about the balance-of-payments prospects, and forecasts a move into current account surplus by the second quarter, with a total surplus of between £300m. to £400m. this year, rising to £2.5bn. in 1978.

The Government has forecast a deficit of £1.5bn. for 1977. It is clearly taking a more cautious view than the institute about the terms of trade—the ratio of export prices to import prices—which the Review suggests may improve by 5 to 6 per cent. by the end of 1977.

Competitiveness

The institute says that the Government's declared policy of "preservation of competitiveness" would mean a fall in the exchange rate over the next two years to between $1.50 and $1.55, given likely U.K. and world inflation rates.

However, the improvement in the current account and revival in foreign confidence would lead, on the institute's assumptions, to a rising rate. It is assumed that the rate will be managed to prevent any rise this year, with a gradual 3 per cent. appreciation in 1978.

The institute urges that upward pressure on the exchange rate should be resisted as far as possible.

The Review says that pressure should now be brought to bear on the surplus countries, either to reflate domestic demand or voluntarily to restrict their exports. "Failing that, the possibility of discrimination against the exports of persistent surplus countries should be examined."

The Review also stresses the particular importance now of improving industrial performance so that "it is vital that the present attempt to devise an industrial strategy should succeed."

Details Page 10
Editorial Comment Page 18

Banks £50m. market loan to prop MLR

BY ANTHONY HARRIS

AFTER the Corporation of London's £25m. loan was more than 30-times over-subscribed yesterday, the Bank of England lent £50m. to the discount market at the official Minimum Lending Rate of 12 per cent. as a signal of its wish to resist any further sharp fall in money market rates at the Treasury Bill tender to-day.

In response, gilt-edged prices, after their strong performance on Wednesday, eased about a quarter. This strongly suggests that the Bank's tactics, which were powerless to resist the decline in rates during the foreign inflow in January, will be successful to-day.

The success of the London issue was widely expected. The offer of a yield of 13.58 per cent. to redemption was pitched to ensure success even if the market had eased somewhat in the days following the announcement. In the event, the strong performance in mid-week made the terms still more attractive.

On this occasion, small subscribers, who were locked out of the equally popular Finance for Industry issue, will be allotted offers of up to £1,000 in full, but offers up to £39,000 will receive only £1,000 of stock, and those of £40,000 or more 2.62 per cent. of the amount applied for.

Money market rates have been falling a little since a week ago, when the average rate at the tender was 10.9284 per cent., and bills were trading yesterday at about 10.875 per cent.

The Bank's loan at MLR was intended to prevent any further sharp fall, but the authorities are likely to be well satisfied if the tender proves consistent with a "formula" MLR of 11¼ per cent., the same as last week. This implies a tender rate of over 10.75 per cent.

It is expected, however, that the Bank will persist with the administered lending rate of 12 per cent. imposed on February 3, regardless of the tender. A rise in the tender rate to over 11.25 per cent., which would be required to produce a 12 per cent. MLR under the "formula" seems exceedingly unlikely.

Dealers are on the whole resigned to the idea that the Bank may persist with an administered rate, which is thought to have checked the fall in market rates, at least until after the March 29 Budget.

When the financial outlook is thus clarified, and when the market has a better measure of the recent rise in the inflation rate, it will be easier to make a longer-term reassessment of present tactics.

Weather

U.K. TO-DAY

SCATTERED SHOWERS, heavy in places, cloudy and cold, but milder in S.

London, S.E., Cent. S. and S.W. England, E. Anglia, Channel Islands

Cloudy, hill fog, showers or longer outbreaks of rain. Max. 9C (48F).

Midlands, E., N.W. and Cent. N. England, Wales.

Cloudy, rain heavy in places, sleet or snow on hills. Max. 3-5C (37-41F).

N.E. England, E. and N.E. Scotland, Orkney, Shetland

Cloudy, wintry showers, bright intervals. Max 6C (43F).

Lake District, Isle of Man, W. Scotland, Ireland

Cloudy, bright intervals, wintry showers. Max. 7C (45F).

OUTLOOK: Bright intervals and wintry showers in the N. Rain in S.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amsterdm	C	10	50	Madrid	F	7	45
Athens	S	21	70	Manchestr	R	4	39
Barcelona	F	14	57	Melbourne	S	24	75
Belfast	C	3	37	Milan	C	10	50
Belgrade	S	18	64	Montreal	C	−8	18
Berlin	C	9	48	Moscow	C	0	32
Birmnghm	R	4	39	Munich	F	15	59
Bristol	C	8	46	Newcastle	C	3	37
Brussels	C	10	50	New York	Fg	1	34
Budapest	C	9	48	Oslo	S	−5	23
B. Aires	R	22	72	Paris	R	9	48
Cairo	S	24	76	Perth	S	30	86
Cardiff	C	7	45	Reykjavik	F	1	34
Cologne	C	10	50	Rio de J'o	S	31	88
Copnhagn	R	4	39	Rome	C	17	63
Dublin	R	4	39	Singapore	C	29	84
Edinburgh	F	5	41	Stockhlm	Sn	−5	23
Frankfurt	C	9	48	Strasbourg	C	10	50
Geneva	C	9	48	Sydney	R	22	72
Glasgow	F	5	41	Tehran	S	16	61
H. Kong	S	20	68	Tel Aviv	F	18	64
Jo'burg	C	28	82	Tokyo	S	10	50
Lisbon	S	12	54	Toronto	R	1	34
London	F	11	52	Vienna	S	15	59
Luxembrg	C	9	48	Zurich	F	12	54

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	C	17	63	Is. of Man	C	4	39
Algiers	C	15	59	Istanbul	S	18	64
Biarritz	C	10	50	Jersey	C	8	46
Blackpool	R	4	39	Las Palmas	F	15	59
Bordeaux	R	9	48	Majorca	F	15	59
Boulogne	C	9	48	Malaga	F	15	59
Cape Tn.	S	26	79	Malta	S	19	66
Corfu	C	20	68	Nairobi	C	20	68
Faro	F	15	59	Naples	F	20	68
Florence	F	15	59	Nice	C	15	59
Funchal	F	16	61	Oporto	C	9	48
Gibraltar	C	13	55	Salzburg	F	17	63
Guernsey	C	9	48	Valencia	F	14	57
Innsbruck	F	13	55	Venice	F	12	54
Inverness	S	4	39				

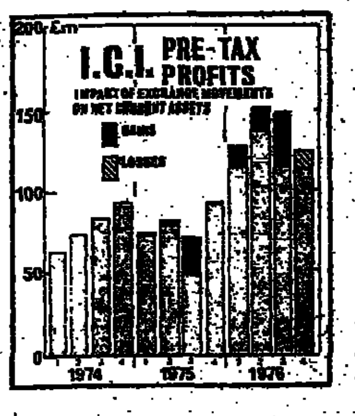
S—Sunny. F—Fair. C—Cloudy. R—Rain. Fg—Fog. Sn—Snow.

Snow reports, Page 8

THE LEX COLUMN

Prices the problem for ICI

Index up 0.2 at 402.3



Following some uninspiring figures from the U.S. majors, ICI's fourth quarter profits of £125m. confirm that the international chemical industry has not yet regained the momentum which disappeared during the early part of 1976. This figure compares with £116m. in the seasonally less important third quarter and excludes the impact of currency changes on net current assets—a debit of £13m. in the final three months, largely as a result of the Australian devaluation.

Fibres remain the biggest single problem. AKZO yesterday disclosed a "very disappointing" fourth quarter performance in fibres together with provisions of Fls.137m. against rationalisation costs. ICI's fibres losses fell from £31m. to £11m. over the year—but there is also a provision of £36m. after tax against this business, three quarters of which relates to asset write-downs. The hope now is that it will move back into the black this year.

Overall volume for the year as a whole rose by 12 per cent., with the U.K. showing a rise of about 7 per cent. This brought a dramatic recovery in the more capital-intensive divisions—like plastics, up from next to nothing to over £40m., organic chemicals, which profits trebled to £60m. or more, and general chemicals which doubled to around £140m.

But volume growth seems likely to be significantly lower this year, especially in the U.K. which still accounts for two-fifths of sales. Movements in sterling, which explain around half the 40 per cent. rise in export sales last year, will probably be much less favourable. And ICI remains hesitant about the outlook for prices, which actually appear to be weakening in some parts of the Continent at present.

So allowing for the rights issue there seems likely to be little if any earnings growth this year. However current cost accounting poses no threats for a dividend yield of 6½ per cent.: ICI's adjustments to stocks and the depreciation charge cut pre-tax profits by two-fifths but still leave the dividend well covered. And not before time, ICI is going to get a clean auditor's report this year.

Barclays

Compared with Lloyds' results last week, Barclays' preliminary figures look disappointing. Against a rise of 55 per cent. in pre-tax profits at Lloyds, Barclays' profits of £197.9m. are only 39 per cent. higher, and over half of the improvement reflects the absence of last year's £30m. additional provision.

However, the comparisons between the two are not altogether fair. Lloyds benefited handsomely from a £13m. recovery in profits of associates, and unlike Barclays has not spelt out the benefits of exchange rate movements on its earnings. In Barclays' case, a non-trading surplus of £39.7m. has been taken direct to reserves. In addition, Lloyds' tax charge was down sharply while Barclays' was slightly higher, which helps explain why Lloyds' attributable profits jumped by 85 per cent. and Barclays could only register a rise of a third.

Nevertheless Barclays' performance is hardly sparkling. Together with the absence of bad debt provisions, a rise of £14.8m. at Barclays International, an extra £7.8m. from associates and a first time contribution from Mercantile Credit cover the £56m. improvement in profits. At the operating level BBI's profits are a fifth higher but for the rest of the group the increase is less than 10 per cent. Barclays' trust activities continue to lose money and last summer's increase in bank charges did not cover the rise in costs. Added on top of this Barclays' higher property exposure is continuing to have an impact.

For the group as a whole advances and deposits rose by around a fifth of which approximately half reflected movements in exchange rates, and despite this small increase in real lending Barclays' free capital ratio slipped slightly, notwithstanding a rise of £140m. in shareholders' funds and an extra £75m. of bonds. So some sort of funding, be it in sterling or foreign currency, is still on the cards. That could give Barclays the opportunity to raise its below-average yield of 6.0 per cent. at 255p.

Hoover

After the miserable third quarter, when the seasonal [illegible] reasserted itself with vengeance and redundancy costs at Dijon totalled £0.5m., Hoover bounced back in the final three months of 1976. Sales in the quarter reached £57.3m., a gain of 48 per cent. on the same period and 43 per cent. higher than in the immediately preceding three months. Not only [illegible] U.K. demand pick up strongly in the [illegible], aided by another wave of beat-the-Budget consumer enthusiasm, but exports improved too. Against this background, pre-tax margins rallied to 11.4 per cent., the same as in October-December 1975.

For all that, it has been an uninspiring year for Hoover with sales (up 10 per cent.) [illegible] rising inflation and pre-tax profits down almost a quarter [illegible] £14.6m. excluding exchange gains. A new accounting basis for the translation of foreign currency assets has added £2.4m. to this figure, but could also have introduced a new element of volatility. So Hoover is more confident about the prospects for 1977: it expects some revival in U.K. demand (it has recommended recruitment at its U.K. plants) while the overseas operations are in good shape, now that the slimmed down French business is back into profit. The shares put on 21p yesterday to 288p, where the yield is 7.3 per cent. and the p/e (including exchange gains) is around 6.

AE/Serck

The formal offer document from Associated Engineering for Serck highlights the central role of AE's troublesome Covrad subsidiary in this affair. Covrad clearly needs the larger product range and broader market base that a merger with Serck's Heat Transfer might provide. But Serck has turned down the opportunity to buy Covrad. AE's bid is therefore an attempt to force through a solution while bringing a number of other operations into AE which the industrial rationale is, on the face of it, decidedly shaky.

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